

James W. Hatch, North Girard.  
George G. Foley, Pocono Manor.

## VERMONT

Ernest A. Naylor, Alburg.  
Cecelia S. Joslyn, South Hero.  
James G. Boutelle, Townshend.  
Ruth A. Randall, Wells River.  
Timothy J. Murphy, Windsor.

## WASHINGTON

George D. Magee, Aberdeen.  
Vaughan Brown, Bellingham.  
Jeane R. French, Skamokawa.

## SENATE

MONDAY, MAY 14, 1934

(Legislative day of Thursday, May 10, 1934)

The Senate met at 11 o'clock a.m., on the expiration of the recess.

## THE JOURNAL

On motion of Mr. ROBINSON of Arkansas, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Saturday, May 12, was dispensed with, and the Journal was approved.

## CALL OF THE ROLL

Mr. ROBINSON of Arkansas. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Hayden	Overton
Ashurst	Costigan	Hebert	Patterson
Austin	Couzens	Johnson	Pope
Bachman	Cutting	Kean	Reynolds
Bailey	Davis	Keyes	Robinson, Ark.
Bankhead	Dickinson	King	Schall
Barbour	Dill	La Follette	Shipstead
Barkley	Duffy	Lewis	Steiwer
Black	Erickson	Logan	Stephens
Bone	Fess	Loneragan	Thomas, Okla.
Borah	Fletcher	McCarran	Thomas, Utah
Bulkeley	Frazier	McGill	Thompson
Bulow	George	McKellar	Townsend
Byrd	Gibson	McNary	Tydings
Byrnes	Glass	Metcalf	Vandenberg
Capper	Goldsborough	Murphy	Van Nuys
Carey	Hale	Norbeck	Walcott
Clark	Harrison	Norris	Walsh
Connally	Hatch	Nye	Wheeler
Coolidge	Hatfield	O'Mahoney	White

Mr. LEWIS. Mr. President, I rise to announce the absence of the Senator from New Hampshire [Mr. BROWN], the Senator from Arkansas [Mrs. CARAWAY], the Senator from New York [Mr. WAGNER], the junior Senator from Illinois [Mr. DIETERICH], the Senator from Oklahoma [Mr. GORE], the Senator from Louisiana [Mr. LONG], the Senator from West Virginia [Mr. NEELY], the Senator from Nevada [Mr. PITTMAN], the Senator from Georgia [Mr. RUSSELL], the Senator from Texas [Mr. SHEPPARD], the Senator from Florida [Mr. TRAMMELL], and the Senator from South Carolina [Mr. SMITH], who are necessarily detained on official business, while the Senator from California [Mr. McAbod] continues ill. I ask that this announcement may stand for the day.

Mr. HEBERT. I wish to announce that the Senator from Pennsylvania [Mr. REED] is necessarily detained from the Senate.

The VICE PRESIDENT. Eighty Senators have answered to their names. A quorum is present.

## PETITIONS AND MEMORIALS

Mr. TYDINGS presented a petition of sundry citizens of Baltimore, Md., praying for the passage of the bill (S. 3171) to amend the Interstate Commerce Act, as amended, by providing for the regulation of the transportation of passengers and property by motor carriers operating in interstate or foreign commerce, and for other purposes, which was referred to the Committee on Interstate Commerce.

Mr. COPELAND presented a resolution adopted by the board of trustees of the village of Manorhaven, Nassau County, N.Y., favoring the granting by the Public Works Administration of a loan in the sum of \$750,000 for harbor improvement at Manorhaven, N.Y., which was referred to the Committee on Finance.

Mr. WALCOTT presented petitions and papers in the nature of petitions from the Children of Mary Society, the Holy Name Society, the Rosary Society, and sundry members of the parish of St. John the Baptist, of New Haven; Orinoco Council, No. 39, of Greenwich, Ojeda Council, No. 33, of Naugatuck, and St. Augustine Council, No. 41, of Stamford, all of the Knights of Columbus; Court Seville, No. 24, Catholic Daughters of America, and the Children of Mary Sodality of the Church of the Assumption, both of Ansonia, and the Hungarian-American Democratic Club of Norwalk, all in the State of Connecticut, praying the amendment of proposed radio legislation so as to provide adequate broadcasting facilities for religious, educational, and agricultural subjects, which were referred to the Committee on Interstate Commerce.

He also presented the memorial of Martha Washington Council, No. 16, Sons and Daughters of Liberty, of New London, Conn., remonstrating against the enactment of legislation loosening immigration restrictions, which was referred to the Committee on Immigration.

He also presented a resolution adopted by the Women's Home Missionary Society of the First Methodist Episcopal Church, of Hartford, Conn., favoring the prompt passage of House bill 6097, providing higher moral standards for films entering interstate and foreign commerce, which was referred to the Committee on Interstate Commerce.

## REPORTS OF COMMITTEES

Mr. BARBOUR, from the Committee on Military Affairs, to which was referred the bill (S. 1146) for the relief of John W. Beck, reported it with an amendment and submitted a report (No. 1001) thereon.

Mr. COOLIDGE, from the Committee on Military Affairs, to which was referred the bill (S. 1177) for the relief of Edward T. Costello, reported it without amendment and submitted a report (No. 1002) thereon.

He also, from the same committee, to which was referred the bill (S. 418) for the relief of William H. Connors, reported it with amendments and submitted a report (No. 1003) thereon.

Mr. CAREY, from the Committee on Military Affairs, to which was referred the bill (S. 2454) for the relief of Arthur W. Adams, reported it with an amendment and submitted a report (No. 1009) thereon.

Mr. KING, from the Committee on the Judiciary, to which was referred the bill (S. 3319) to amend section 233 of the Criminal Code, as amended, reported it without amendment and submitted a report (No. 1004) thereon.

He also, from the same committee, to which was referred the bill (S. 588) to amend the Judicial Code by adding a new section to be numbered 274D, reported it with amendments and submitted a report (No. 1005) thereon.

Mr. LOGAN, from the Committee on the Judiciary, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

S. 339. An act for the refundment of certain countervailing customs duties collected upon logs imported from British Columbia (Rept. No. 1006); and

H.R. 7353. An act granting the consent of Congress to any two or more States to enter into agreements or compacts for cooperative effort and mutual assistance in the prevention of crime, and for other purposes (Rept. No. 1007).

Mr. LOGAN also, from the Committee on the Judiciary, to which was referred the bill (H.R. 9370) to authorize an appropriation of money to facilitate the apprehension of certain persons charged with crime, reported it with amendments and submitted a report (No. 1008) thereon.

Mr. STEIWER, from the Committee on Indian Affairs, to which was referred the bill (S. 3291) providing for a

reimbursable loan to the Klamath and Modoc Tribe of Indians and the Yahooskin Band of Snake Indians, State of Oregon, reported it without amendment and submitted a report (No. 1010) thereon.

#### ENROLLED BILLS PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that on the 12th instant that committee presented to the President of the United States the following enrolled bills:

S. 752. An act to amend section 24 of the Judicial Code, as amended, with respect to the jurisdiction of the district courts of the United States over suits relating to orders of State administrative boards; and

S. 2671. An act repealing certain sections of the Revised Code of Laws of the United States relating to the Indians.

#### EXECUTIVE REPORTS OF A COMMITTEE

As in executive session,

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of sundry postmaster, which were ordered to be placed on the Executive Calendar.

#### BILLS AND JOINT RESOLUTIONS INTRODUCED

Bills and joint resolutions were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

(Mr. FLETCHER introduced Senate bill no. 3603, which appears under a separate heading.)

By Mr. BONE:

A bill (S. 3604) to authorize the Bainbridge Island Chamber of Commerce, a corporation, its successors and assigns, to construct, maintain, and operate a bridge across Agate Pass connecting Bainbridge Island with the mainland in Kitsap County, State of Washington; to the Committee on Commerce.

By Mr. TYDINGS:

A bill (S. 3605) to authorize the Commissioners of the District of Columbia to sell the old Tenley School to the duly authorized representative of St. Ann's Church of the District of Columbia; to the Committee on the District of Columbia.

A bill (S. 3606) to amend section 3 of the act entitled "An act to protect trade and commerce against unlawful restraints and monopolies", approved July 2, 1890;

A bill (S. 3607) to authorize the incorporated town of Seward, Alaska, to issue bonds in any sum not exceeding \$60,000 for the purpose of constructing and installing a municipal light and power plant in the town of Seward, Alaska;

A bill (S. 3608) to authorize the incorporated town of Fairbanks, Alaska, to undertake certain municipal public works, including construction, reconstruction, and extension of sidewalks; construction, reconstruction, and extension of sewers, and construction of a combined city hall and fire-department building, and for such purposes to issue bonds in any sum not exceeding \$50,000; and

A bill (S. 3609) to authorize the incorporated town of Douglas, Alaska, to undertake certain municipal public works, including construction, reconstruction, enlargement, extension, and improvements of its water-supply system; and construction, reconstruction, enlargement, extension, and improvements to sewers, and for such purposes to issue bonds in any sum not exceeding \$40,000; to the Committee on Territories and Insular Affairs.

By Mr. COPELAND:

A bill (S. 3610) to provide for the creation of a commission to examine into and report the clear height above the water of the bridge authorized to be constructed over the Hudson River from Fifty-seventh Street, New York, to New Jersey; to the Committee on Commerce.

By Mr. AUSTIN:

A bill (S. 3611) authorizing payment of full compensation to the Chief Justice of the Court of Claims for life in the event of his resignation due to ill health; to the Committee on the Judiciary.

By Mr. FLETCHER:

A bill (S. 3612) to amend the Reconstruction Finance Corporation Act so as to extend the provisions thereof to private corporations to aid in constructing and maintaining facilities for the marketing, storing, warehousing, and/or processing of forest products; to the Committee on Banking and Currency.

By Mr. KING:

A bill (S. 3613) amending subsection (a), section 23, of the District of Columbia Alcoholic Beverage Control Act; to the Committee on the District of Columbia.

By Mr. TYDINGS:

A joint resolution (S.J.Res. 118) to harmonize the treaties and statutes of the United States with reference to American Samoa; and

A joint resolution (S.J.Res. 119) authorizing a preliminary examination or survey of a ship canal across Prince of Wales Island, Alaska; to the Committee on Territories and Insular Affairs.

#### CHANGE OF REFERENCE

On motion of Mr. LOGAN, the Committee on Military Affairs was discharged from the further consideration of the bill (S. 3583) for the relief of Roy Alvey Jones, and it was referred to the Committee on Naval Affairs.

#### REGULATION OF COMMUNICATIONS BY WIRE AND RADIO—AMENDMENT

Mr. KING submitted an amendment intended to be proposed by him to the bill (S. 3285) to provide for the regulation of interstate and foreign communications by wire or radio, and for other purposes, which was ordered to lie on the table and to be printed.

#### INTER-AMERICAN HIGHWAY

Mr. McNARY. I ask unanimous consent for the immediate consideration of the proposed unanimous-consent order, which I send to the desk.

The VICE PRESIDENT. The request for unanimous consent submitted by the Senator from Oregon will be read.

The legislative clerk read as follows:

Ordered, by unanimous consent, That the Committee on Post Offices and Post Roads be discharged from the further consideration of the message from the President of the United States transmitted to Congress on March 6 last, enclosing report concerning a survey of an inter-American highway, and that it, with the accompanying report, be referred to the Committee on Printing with a view to their being printed as a Senate document.

The VICE PRESIDENT. Is there objection?

Mr. ROBINSON of Arkansas. Mr. President, I understand that the object of the Senator from Oregon is to have the document printed?

Mr. McNARY. The object of the Senator from Oregon is to procure an estimate from the committee so that the committee may determine whether it is justified in spending the amount of money required for printing the document. The unanimous consent is asked in order to obtain an estimate of the cost of printing.

Mr. McKELLAR. Mr. President, will the Senator repeat his request? I happened to be out of the Chamber for just a moment.

Mr. McNARY. On the 6th of March of the present year the President of the United States submitted to the Congress, and there was referred to the Committee on Post Offices and Post Roads, a reconnaissance survey of a proposed road or highway from the United States through Central America to Panama. The report is embodied in six volumes. I think it would be well to publish it as a public document in order to excite interest in the completion of the highway.

To enable that to be done it is necessary first to have the Committee on Post Offices and Post Roads discharged from the further consideration of the message and report in order that they may be referred to the Committee on Printing for an estimate of cost. After the estimate of cost shall have been made, then the Congress will determine whether it is of sufficient importance to justify the expenditure. I am proceeding in that way.



Mr. FLETCHER. Mr. President, I think it is a matter that properly should be referred to the Committee on Printing, and they should consider the cost.

Mr. McNARY. That is what I am asking.

Mr. McKELLAR. We have been so busy in the Committee on Post Offices and Post Roads that we have not as yet taken up the matter, but I shall be glad to look into it.

Mr. McNARY. I am not proposing finally to discharge the committee. I am only asking that the Committee on Printing make an estimate of the cost so the Committee on Post Offices and Post Roads may determine whether it should be printed.

Mr. ROBINSON of Arkansas. I do not see any objection to the request. It is being made for the purpose of having an estimate secured.

Mr. McNARY. The request was prepared by Mr. Ives, the printing clerk, and is in accordance with the rules of the Senate.

The VICE PRESIDENT. Is there objection to the request of the Senator from Oregon? The Chair hears none, and it is so ordered.

#### REVISION OF IMMIGRATION AND DEPORTATION LAWS

Mr. VANDENBERG. Mr. President, the need for humane revision of our immigration and deportation laws has been obvious for some time—not in the interests of any relaxation of our present well-founded and justified philosophy of sharply restricting general immigration into the United States, but in the interests of fair play and decent human considerations in behalf of the families of our foreign-born citizens and in behalf of perfectly sound and useful foreign-born citizens who run foul of some crucifying technicality in the law.

I have personally known many of the cases where the existing laws are not only insufferably cruel but also where they run counter to elementary common sense. The gravest of all existing difficulties seems to be that the existing laws allow no discretion to immigration authorities when technicalities call for deportation and ordinary justice points to permission for a family or alien to remain here. The same lack of discretion also frequently forbids the entry to citizenship of perfectly good and useful aliens who have long been residents in the United States, but who fail to meet all the involved requirements which trail through our multiplicity of laws upon the subject.

The whole subject matter has been recently surveyed by an estimable committee. I heartily subscribe to its findings. The committee wants to remedy accumulated abuses. So do I. The committee, incidentally, wants to make deportations more effective for alien criminals, racketeers, and gangsters. So do I. In other words, the objective is to make the laws more stringent respecting undesirables and more humane in respect to worthy foreign-born residents in the United States. Congress should act in these directions.

There was a particularly illuminating article on this subject in the Washington Post of last Sunday from the pen of Robert T. DeVore. I wish that all Members of Congress would study these demonstrated proofs of the need for reforms. I ask that the article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Post, Sunday, May 13, 1934]

CONGRESS ASKED TO REVISE ABUSIVE DEPORTATION LAWS—CRIMINALS SHIELDED, HONEST LIVES SHATTERED, SAY EXPERTS—UPSTANDING IMMIGRANTS OFTEN THROWN OUT ON TECHNICALITIES

By Robert T. DeVore

The heavy hand of the law sometimes bears a striking resemblance to a mailed fist, a fist that smashes blindly.

Such a fist, according to many critics, has been a little group of statutes circumscribing the alien—and frequently the citizen—within these shores. Mailed, blind, and indifferent, it has struck often and hard, they say. Families have been shattered, lives broken, and the possibilities of producing worth-while citizens have been routed, all without reason.

The statutes referred to are the deportation laws of the existing immigration and naturalization code. Sprouting in indifference, for years they have been inflicting senseless toll on the innocent while sheltering the criminal.

The faults that permitted the scattering of decent, upstanding families of immigrants after years of residence here have not

been unknown to the socially minded. As with many such matters, there has been plenty of speechmaking and little action.

#### INVESTIGATORS REPORT GRAVE ABUSES

Accumulative abuses, however, have finally brought results. Under the chairmanship of Carlton Palmer, of New York, a committee of citizens, aided by technicians of the Immigration and Naturalization Bureau, undertook a study of the Nation's immigration and deportation situation.

What they discovered was not pleasant. Deportation laws allowed the alien criminal with a string of convictions to remain in this country and rooted out his worthy brother on technicalities. The fruit of the investigation was five bills, now pending in Congress, revising the procedure of deportation on the basis of justice and common sense.

Present laws have worked to good effect in producing selective, restrictive immigration, the committee found, but have failed to be effective in ridding the country of the worst types of alien habitual criminals, racketeers, and gangsters. Their rigidity in forcing deportation on technical charges, the committee declared, works against the very end they set out to achieve.

To overcome such faults, the five bills have been introduced. They are aimed against the criminal, the alien smuggler, and the illegal entrant. They place in nonquota classes fathers and mothers over 60 years of age where their children are citizens of this country. They permit registration of aliens here who would suffer religious or political persecution if deported.

Chiefly they are aimed at remedying that inconsistency which forbids discretion to immigration authorities when technicalities call for deportation and ordinary justice points to permission for a family or alien to remain here.

That the inconsistency is sharp no one could question. Already some 465 cases where deportation would result in separation of families and breaking up American homes have accumulated, awaiting the outcome of the bills in Congress. Immigration officials want to be reasonable, and they postponed action on these cases until July 1, in the hope that new powers of discretion would be granted them by that time.

These case histories have been segregated. Each is a human document testifying to the ineptitude of justice as applied to deportation laws. Each bears the imprint of the mailed fist, where the guiding hand of justice is cried for. Of these cases, typical is the affair of George Grenier, one-time French aviator.

As a French lad of 16, Grenier learned to fly an airplane. A year later the war broke and Grenier volunteered, was assigned to an aviation unit, and fought for 2 years. Then his torn nerves broke.

He set out one day on a scouting expedition and did not put down his plane until he was in a remote section of Italy. Grenier made his way to the sea, bought the papers of a Greek seaman and took up a fear-haunted existence. Finally, in 1921, he slipped ashore in an American port.

Life began anew. He made his way to Chicago, married, and settled down to a useful place in society. Then in 1926, with friends, he visited Niagara Falls. Someone suggested they view the falls from the Canadian side. Grenier drove his car across the International Bridge and unwittingly opened the way to his deportation.

For 5 years later, his first wife, divorced, informed immigration authorities of her former husband's illegal status in the United States. Then, because he had lived in this country before passage of the Immigration Act of 1924, it developed he was not deportable for any other cause than his sightseeing trip to the Canadian side of Niagara Falls. That trip had broken his continuous residence and subjected him to deportation. His case is among those awaiting the outcome of the deportation bills.

Casimir Dratch presents a similar case. Dratch, a native of Galicia, entered the country illegally from Canada in 1922, but was not deportable because of his continuous residence. He reared a family, bought a home. He took an active part in the local Ukrainian National Benefit Association at Muskegon, Mich., where he lived.

#### TOOK A TRAIN VIA CANADA

Dratch served seven terms as secretary of the Ukrainian group, and that led to his undoing. Dratch attended a convention of his association at Rochester, N.Y., and unwittingly took a Michigan Central train to get from Detroit to Rochester.

The Michigan Central Railroad runs east from Detroit through southern Canada to Niagara Falls. Dratch rode this route, and the fact that he was a passenger on a train which passed through Canada broke the continuity of his residence and made him deportable. His family—he has four children—lack the funds to support themselves while he might await a chance to return under a quota.

In the hands of 435 Members of the House and 96 Senators lies the destiny of Natalia Branjinikoff Odlin, who is as pretty as her first name sounds and 22 years old.

If the 531 men pass one of the five liberalizing amendments to the immigration laws now before them, Natalia may continue to live in happiness with her American husband, Clifford Odlin, and their son on a ranch in El Dorado County, Calif.

If the Congress does nothing at all about immigration this session, deportation to Manchuria—virtual exile from her husband, child, and home—await her.

Natalia's story begins with the first awakening in her of an ambition to study medicine. She was living in Harbin, China, with her parents, white Russian refugees. There she met an American woman, Mrs. Henry G—, who agreed to guarantee her



education in the United States. Natalia came to this country under a nonquota status relating to students.

For 2 years Natalia studied. Then for some unexplained reason Mrs. G— withdrew her financial support. Ambition undampened, Natalia worked during the third year, and 3 months during one summer, sending Mrs. G— her earnings.

In 1931 Natalia met Odlin, then 25. They were married. The early estrangement of Natalia and her American benefactress became a definite break. Through marriage Natalia had relinquished her student status, and Mrs. G— reported her to the immigration authorities. She was arrested in May 1933.

Under the law, Natalia, married and no longer studying medicine, lives in this country illegally. She must leave, enter legally, and reside here a year before becoming eligible for permanent residence. There is no other recourse. The law makes no exceptions.

The Odlin's are poor, else Natalia might avail herself of her privilege of leaving the country voluntarily and reentering from Canada or Mexico. The law will compel the Immigration Bureau to deport her to Manchuria, unless Congress changes the law.

Upon no class of immigrant, perhaps, has the mailed fist fallen harder than it has upon the white Russian. Take, for instance, the case of Nicolas Ivanoff, one-time lieutenant in the Russian Imperial Navy, whom an unyielding, indiscriminating law is about to snatch from his family and their pleasant little home in Bridgeport, Conn.

Ivanoff has no country. Russia, the new Russia, above all is not his. There a death warrant awaits his return.

It was in 1919 that Ivanoff committed the offense for which a warrant for his arrest and execution was issued. He took a transport ship of 7,000 tons capacity, of which he was the first officer, to evacuate 4,500 white Russians from Odessa.

Had Ivanoff remained ashore after entering the United States in 1924, the shadow of the mailed fist would not lie across the pleasant little house in Bridgeport. But Ivanoff returned to sea in 1925, making several trips from Miami to Cuba and return. And in 1926 he married Wilhelmine Rohmfeld, a naturalized American citizen.

Ivanoff claims that there was no landing in Cuba in 1925 and that his action cannot therefore be construed as a departure from the country. The Immigration Bureau thinks otherwise. The law says deportation.

Abdullah Cheour, born 30 years ago in north Africa, a son of the prophet, sent former Secretary of the Treasury Ogden Mills \$5 to help balance the Budget.

And when Democrats replaced Republicans in Washington Abdullah Cheour, a son of the prophet, sent \$2 to President Roosevelt for his White House swimming pool.

But Abdullah Cheour failed to reckon with a guileless law.

Abdullah Cheour has been a good husband, a patriotic citizen, and apparently he has understood politics. But he has not been an American. He must be deported.

"To Mexico I will not go," said the wife of Miguel Bueno. And to Mexico she did not go, thereby making things very difficult for Miguel and the immigration authorities.

Miguel's case is just another of the thousands of examples to be found in the files of the Bureau of Immigration, where human ambitions and hopes and loves clash with the law and where the law invariably wins.

Miguel unavailingly sought work in Silver City, N.Mex. He went to his native Old Mexico and found it. Then came Mrs. Bueno's ultimatum and Miguel's return to the United States.

The law says the continuity of Miguel's stay in this country has been broken. Deportation must exile him from wife and family.

And George Arctic has discovered that implicit obedience to the law's command is no insurance of security from the mailed fist.

George was told he must leave the country. He did. But he forgot to notify immigration authorities of his leaving. His subsequent return was held illegal, and deportation has been ordered.

Once more the mailed fist struck out, this time against one whose will it had already bent, against the sentiments, the very instincts of those who wield it.

George Arctic is young, 20 years old. In Bridgeport, Conn., a business career with his uncle awaits him, life, richest happiness call him. In Syria there is nothing.

**"FORWARD, MARCH, SCHOOLS OF AMERICA"—ADDRESS BY JOSEPH MILLER, JR.**

Mr. COPELAND. Mr. President, I ask unanimous consent to have printed in the RECORD an address by Joseph Miller, Jr., president of the National Association of Public School Business Officials, entitled "Forward, March, Schools of America."

There being no objection, the address was ordered to be printed in the RECORD, as follows:

#### FORWARD, MARCH, SCHOOLS OF AMERICA

"Forward, March, Schools of America" will be the keynote of the Twenty-third Annual Convention of the National Association Public School Business Officials to be held August 15-24, in Commerce Hall, Port Authority Building, New York City. In addition to the convention itself, the association is arranging the first national schoolmart exposition.

During the forced economies of the World War our schools did not suffer nearly as much as they have during these years of economic depression. You can patiently wait for national

recovery to restore normal activity in almost every other field, but you dare not permit millions of school children to grow up either mentally or physically starved. Childhood cannot wait. Nothing offered in later years can possibly fill the void caused by malnutrition of mind or body during the tender formative years of the growing child. Amidst the hue and cry for balanced budgets and lower taxes some of our leading citizens have forgotten entirely the very vital factor of life—that both the number and the problems of children are constantly increasing.

School boards, officials, superintendents, administrative staffs, and teachers have patiently floated with the economic tide; they have assumed a far greater share of the burden of economic depression than they should have ever been called upon to accept.

For the best interests of humanity the backward march of education must be halted. Our Nation can survive only so long as we are true to the basic ideals of universal education. We cannot be loyal to our Nation if we suffer our schools to be destroyed any further.

We must be alive to the problems of the school of tomorrow. If the nursery school is to take its place next to the kindergarten, if the high schools are to be called upon to assume the full burdens of training both for vocations and for leisure, and if adult education is to become a vital social necessity, then our schools must be ready to assume these functions for the benefit of society and for the preservation of our Nation.

The exposition will tell the story to the millions of mothers and fathers of America's school children. It will be the story of education concretely presented in a manner that will inspire them with a courageous determination to save the American school system. "Forward, march, schools of America" will be the keynote. Thousands and thousands of school executives, administrators, teachers, students, and leaders in the educational world will visit the exposition to view the displays.

More than 60,000 persons interested in education attend the summer sessions of the universities in the metropolitan area of the Empire City. To afford these students a full opportunity to visit the exposition and to attend the sessions of the convention, the executive committee of the National Association Public School Business Officials has advanced the dates usually set for the convention. The exposition will open on Wednesday, August 15, and will continue for 10 days, ending with the sessions of the convention, which will be held this year on August 21, 22, 23, and 24.

The morning sessions of the convention will be devoted to public meetings, at which important addresses will be delivered by men and women of national prominence in the educational and public life of the Nation.

These public meetings will be followed by round-table conferences extending through the luncheon periods each day during the convention. Vital problems of school administration will be discussed. I might mention the following subjects now under consideration for these round-table conferences as evidence of the plan and scope of this important work:

Sources and protection of school funds.

Our schools in relation to the N.R.A. and other national programs.

Selection, purchase, storage, and distribution of public-school supplies.

Economic and efficient maintenance of the school plant.

Modern problems in the construction of school buildings.

The sound system for handling students' funds in the high schools.

Financing the school building in the future.

Economic equipment for visual education.

Modern inventions, new materials, and industrial improvements that will add efficiency and economy for the school of tomorrow.

Causes and prevention of accidents in the schools.

The need for a national testing laboratory for school materials, equipment, and supplies.

Efficiency and safety in the transportation of school children.

Modern business methods in economic school administration.

Each round-table conference will be under the leadership of a chairman, assisted by a secretary, both of whom will be recognized authorities in the subject of the conference.

During the afternoons there will be official visits to the Metropolitan Museum of Art, the American Museum of Natural History, and other points of educational interest in the city of New York. And, on the evening of Thursday, August 23, the entire convention will assemble at the annual banquet of the association, to be held in the grand ballroom of the Hotel Astor.

The association has appointed Theodore Fred Kuper, executive manager of the Board of Education of the city of New York, as the national director of the exposition and convention, at which the new deal in education will be on parade for the benefit of the American public.

Frederick D. Chambers, auditor of the Board of Education of the city of New York, has consented to act as treasurer. Both of these officials and all chairmen and members of the various committees have undertaken these duties without any compensation whatsoever.

Furthermore, we have the assurance of the cooperation of Teachers' College, Columbia University; the School of Education, New York University; Manhattan College; and other leading universities, colleges, and school authorities.

The association has persuaded Thomas J. Watson to lend his aid to this important undertaking. He is president of the International Business Machines Corporation, a former president of the Merchants' Association of New York City, and he is one of



the leading forces in the most important work of the United States Chamber of Commerce. We are grateful to Mr. Watson, who has undertaken to form a national advisory committee of leading citizens throughout the country, and he has consented to act as chairman of the committee. Under such leadership there can be no question of the ultimate success of this united effort for the best interests of the school children of America.

#### LOANS BY FEDERAL RESERVE BANKS TO INDUSTRIES

The Senate resumed the consideration of the bill (S. 3487) relating to direct loans for industrial purposes by Federal Reserve banks, and for other purposes.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from California [Mr. JOHNSON].

Mr. JOHNSON. Mr. President, when we recessed on Saturday there were but few Senators present, and I feel it essential very briefly to recapitulate what then was said in respect to the amendment I have offered to the pending bill. In order that those who were not present during the Saturday afternoon session may understand, I want to state what transpired in relation to the pending measure on Saturday.

The bill which was introduced by the Senator from Virginia [Mr. GLASS] was taken up for consideration. After being heard for a brief period it was amended by the adoption of the second bill relating to loans by the Reconstruction Finance Corporation. The bill of the Senator from Virginia [Mr. GLASS] relates to loans by the Federal Reserve System to business and to industry. The bill which was pending upon the calendar, introduced and reported by the distinguished Chairman of the Committee on Banking and Currency [Mr. FLETCHER], related to loans to be made to industry by the Reconstruction Finance Corporation. The latter was offered as an amendment to the former and was adopted on Saturday last.

Thereafter there was presented the amendment which is now before the Senate, which relates to a particular class or a particular sort of loans which may be authorized by the Reconstruction Finance Corporation. In order that the amendment may be understood—for all I want to do is to get an expression of the Senate in respect to it—I desire to call again the attention of the Senate to it.

First, it is permissive. There is no mandatory provision respecting it, but it authorizes the Reconstruction Finance Corporation, under certain circumstances, to make certain loans. It does it in this language:

The Reconstruction Finance Corporation is authorized to make loans, for periods not exceeding 20 years, to finance the acquisition of any system, plant, or works for the production, transmission, or distribution of electrical energy by such public corporations, bodies, or instrumentalities as are referred to in section 201 (a) (1) of the Emergency Relief and Construction Act of 1932, which enter into contracts with the United States or any department, agency, or instrumentality thereof for the purchase of electrical energy.

Mr. McKELLAR. Mr. President, from what is the Senator reading?

Mr. JOHNSON. I am reading from a bill which was introduced by me, and which has been offered as an amendment to the bill which is now pending before the Senate. The bill which I have offered as an amendment was originally S. 3246 and has been before the Finance Committee for a considerable period of time.

I recited on Saturday a complete instance which renders the particular amendment not only right but generally appropriate. I recite it again in order that the Senate may understand it.

In the city of Los Angeles there is a municipal lighting and water plant which is under the jurisdiction of what is known as the "Bureau of Water and Power", the city, of course, having the control, supervision, and the like. The city of Los Angeles has become the greatest contracting factor for power from the Boulder Dam construction. Today it has contracts for power with the United States Government of a very considerable extent involving a tremendously large sum of money. Boulder Dam, by the way—and I say this to correct some misrepresentations and some misapprehensions which have been indulged in respecting it—is a self-liquidating project, after all, for we provided in the measure itself that there should not be a shovelful of earth turned until the Government of the

United States had firm contracts which would enable it to repay every penny that might be appropriated by the Government for that monumental construction.

The contracts which were made related in the main to power, although some related to water, but those I eliminate from this particular statement. They related principally to power, and the contract for the largest value of power from the Boulder Dam is with the city of Los Angeles. Of course, the city of Los Angeles will carry out, and must carry out, that contract, and it desires to do so, of course, with meticulous care. There can be no question ultimately in respect to it.

It happens now, however, that in a certain part of the city of Los Angeles there is a privately owned utility furnishing to the people of that particular part power and light. The city furnishes to the particular part as well light and power, and it is in direct competition with the privately owned plant.

It is an uneconomical situation which presents itself. It is one which inures neither to the benefit and the welfare of the people nor of the utilities which are thus operated. Sixty percent of the power is furnished by the municipally owned plant, and 40 percent, as related to me, is furnished by the privately owned plant. Necessarily there have been constant bickerings and many controversies. The opportunity is presented at last to reach a conclusion respecting the controversies and the difficulties.

It is the desire of the city to purchase the privately owned plant and thus not only eliminate the controversies of the past but serve economically and at much smaller cost the inhabitants of that particular part of the city of Los Angeles. From the standpoint of the welfare of the people, there could be no objection to the acquisition by the city of that particular plant. From the standpoint of eliminating difficulties and controversies, of course, it is an appropriate thing to do. The only objection that is made to a loan being made by the United States Government through the Reconstruction Finance Corporation is that the Reconstruction Finance Corporation was not originally designed for any such purpose. The Reconstruction Finance Corporation, however, is now entering upon a field entirely new and different from that which was ever contemplated when we created that particular organization by edict of the Congress of the United States.

Today the Reconstruction Finance Corporation, by the amendment that has been attached to the bill of the Senator from Virginia [Mr. GLASS], is going into the lending of money to industry and the lending of money, wherever it shall be appropriate to lend it by virtue of the provisions of the particular amendment, to those who may require it and who are today engaged in business in different parts of the country. If that be so, it could not render a greater service merely to people than to authorize a loan and receive the adequate security from a publicly owned utility that is situated as this publicly owned utility is in the city of Los Angeles.

It was said to me on Saturday last that this measure had never been considered by the Banking and Currency Committee. I said in response, and I now repeat, that it has been pending before the Banking and Currency Committee since last March. It has had a hearing before a subcommittee of the Banking and Currency Committee during that period; and in that hearing the facts were presented to the subcommittee, which, I assume, because of the limitations of time, has not had the opportunity, perhaps, to report to the full committee; but there is a perfectly good precedent established for favorable action by the Senate upon the bill that is presented here as an amendment. First, as I say, it has been pending since March. Secondly, it has been before the Banking and Currency Committee during that period. Thirdly, it has been submitted to a subcommittee that heard arguments with respect to it some 2 weeks ago, and presumably many of the members, at least of the Banking and Currency Committee, are fairly familiar with it. Only last Saturday, however, there were presented from the floor here by the Senator from Florida

[Mr. FLETCHER] amendments to the stock control bill, amendments which Senators on the other side of the Chamber tell me never were presented to the full Banking and Currency Committee at all, but they were presented here on the floor relating to another subject matter on Saturday last, and were adopted by the Senate.

If I am in error in the statement—because I must rely upon that which has been told me by members of the committee—I regret it exceedingly; but they advised me that those amendments never came before the full Banking and Currency Committee. So of what avail is it to say to me, when I have had pending before the committee for 2 months this measure of mine, that there is something further that ought to be done in the presentation of this particular amendment to the Banking and Currency Committee?

Thus, these two arguments that were originally advanced on Saturday afternoon last become of no avail at all.

One argument that has been made here is that the whole system of giving money to cities or giving money to people in the fashion that we have is wrong. Perhaps it is. I do not know. I doubt very much this statement; but, at any rate, it is a policy which has been adopted and which we are pursuing; and I ought not to be, with this amendment of mine, subjected now to a determination against the amendment because somebody thinks that the policy originally adopted was entirely erroneous.

There is another aspect in relation to this amendment. It is an emergency measure. It does afford employment. I have here some of the statements which have been made by those in Los Angeles who are familiar with the subject, who insist that the taking over of the privately owned plant will of necessity require rehabilitation, reconstruction, employment, just as much as if they had started in the beginning with the construction of the particular works. So it is that from every standpoint an amendment of this sort ought to be permitted and ought to be put upon this bill.

I insist that it is appropriate, first, because it relates to a loan to be made only permissively by the Reconstruction Finance Corporation. I insist, secondly, that it is appropriate because it relates to the acquisition, in behalf of the people of a great territory, of a privately owned utility; and, thirdly, it will remove a controversy and avoid litigation that has been contemplated between the two plants and enable the people of the city, without the uneconomic situation thus presented, to have furnished to them light and power. But, above all that, there is another reason why it is appropriate, and that is, it is for the benefit of the people themselves; and for that reason, if there were no other presented here, it ought to be permitted to go on as an amendment to this bill.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from California [Mr. JOHNSON].

Mr. JOHNSON. I ask for the yeas and nays on the amendment.

Mr. GLASS. Mr. President, I shall occupy only a minute or two.

The Senator from California [Mr. JOHNSON] says that this bill was considered by a subcommittee of the Banking and Currency Committee and testimony taken. I was not a member of the subcommittee; but I have very definite information to the effect that had the subcommittee voted on the bill at the time the memorandum was furnished, if that may be called testimony, the bill would have been reported adversely by an overwhelming vote of the committee. It was suggested, however, that the distinguished colleague of the senior Senator from California was interested in the bill, and was ill, and therefore that consideration of the bill should go over until the junior Senator from California [Mr. McAbool] should have an opportunity to appear before the committee.

My objection to the bill, aside from a fundamental objection, is that it has not been considered by the Banking and Currency Committee; that it has not been considered by the departments of Government intimately affected by its provisions; and that nobody could possibly compute the amount

of money that might be expended out of the Federal Treasury if the amendment should be adopted. It would open up the question of loans by the Reconstruction Finance Corporation to every community in the United States for the purchase or construction of municipal plants.

On Saturday it was suggested by the Senator from Washington [Mr. BONE] that the Reconstruction Finance Corporation under existing law is authorized to make loans of this kind. It seemed so from the provision of law introduced into the RECORD by the Senator from Washington, and I asked the chairman of the Reconstruction Finance Corporation for an explanation. He told me that the authority for making all loans of this description had been transferred to the Public Works Authority, and that if this loan could be made at all under existing law it could be made by the Public Works Authority.

This morning, without any solicitation on my part, I have a letter from the Chairman of the Reconstruction Finance Corporation, which I shall read for the RECORD:

DEAR SENATOR GLASS: The amendment to your bill offered by Senator JOHNSON carries Government financing into a field that it seems highly undesirable that we start upon. Furthermore, there is a good market at this time for high-grade municipal securities; and if the people in Los Angeles will vote these securities, they can undoubtedly be sold in the market and at fair rates.

We have had demands from all over the country for loans to municipalities, not for the purpose of buying utilities but to pay firemen, policemen, and other employees of the cities where sufficient taxes are not being collected. We have not submitted these proposals to Congress for the reason that with recovery well under way, it should not be necessary for the United States Government to help municipalities in such ways. If, however, when Congress meets again in January, it seems desirable to give further consideration to these problems, I should not hesitate to advocate them.

JESSE H. JONES,

Chairman Reconstruction Finance Corporation.

I respectfully submit to the distinguished Senator from California that we should not adopt this proposition as an amendment to the pending bill. The pending bill is designed strictly to help going concerns in their capital set-up and is designed to keep people employed, and, in the matter of expansions, to result in the employment of other people.

The measure proposed by the distinguished Senator from California is not designed to do that, or, if so designed, it seems to me it will fail of its purpose, because it will not involve the employment of another person. It may involve the discharge of many persons, because there are now two competing plants in Los Angeles, and if the city plant should take over the private plant, the only purpose in taking it over, it seems to me, would be one of economy, and the only way economy could be effected would be by consolidating the working forces of the two plants, which inevitably, I should suppose, would involve the discharge of many persons. Moreover, as I understand, when this bill was first introduced, it related to Los Angeles alone, some objection was raised to that fact, and the bill was revised so that it might relate to the whole of the United States.

It is simply appalling to me to consider what might be the result if a policy of that sort were adopted. Every municipality in the United States might be coming to Washington to get the money of the taxpayers to apply to industries of this sort, and heaven only knows in what it would result. I do not know, I am sure. I think the Senator from California might be willing to let the matter go over, and let his measure be deliberately and maturely considered in the Committee on Banking and Currency. There has been no intention of delay whatsoever in the committee. The bill went over out of deference to the Senator's colleague.

Mr. President, I hope very much the Senator will withdraw his amendment. If not, I hope the Senate will vote it down.

Mr. JOHNSON. Mr. President, let us for a moment consider the objections urged against the amendment. If I were interfering in the slightest degree with the very beneficent purpose of the two bills which have been before us since Saturday afternoon, I would very willingly withdraw the amendment. If in any degree I were interfering with either one of the bills performing its functions as indicated by the phraseology, I should be very glad to stand aside. But I am doing neither the one thing nor the other.



The first objection made by the distinguished Senator from Virginia is that the amendment has not been considered by the committee. I think as the Senator proceeded he indicated that the committee had in some fashion considered it. I was not aware that there had ever been any determination even by a subcommittee. But we need not worry with that, anyway, because if that were a hard and fast rule, a rule of thumb for legislation here, there never could be any amendment presented to a bill from the floor of the Senate, and there never could be any legislation adopted except that which a committee had reported. So I think we can dismiss that as of little or no consequence.

Next, the Senator from Virginia says it has not been considered by the departments. It has been considered by the R.F.C., and has been considered by the Interior Department. The Senator reads a letter from the R.F.C. which would indicate that it is opposed to it. The Interior Department is in favor of it, and the communications from these two instrumentalities of the Government are on file in the Committee on Banking and Currency.

I listened as well as I was able, as the Senator read the letter of the R.F.C., and it was perfectly obvious that the gentleman who wrote the letter wrote without an adequate conception at all of the provisions of the amendment, and of its safeguarding provisions.

I may say that I have a letter from the T.V.A.—Tennessee Valley Authority—which not only endorses the bill but expresses the hope that it will be passed, because it may be of value to that particular organization of the administration in days to come.

It is useless to say that it applies to Los Angeles alone. It will apply as well to some projects in the Northwest. But it is not a fact that every municipality in the whole United States would come here demanding that loans should be made by the R.F.C. under this measure, for only those are affected which have contracts with the United States, or any department, agent, or instrumentality thereof, for the purchase of electrical energy, and for the use of property, and so forth. So that all the bugaboos which have been created to the disadvantage of this amendment fall when they are considered at all. There is nothing that is presented here, except a distaste either for an amendment to the particular bill pending or a desire not to have this kind of loan made, which has, in my opinion, one scintilla of logic or argument to justify it.

For these reasons I submit to the Senate that, surrounded with safeguards as the amendment is, first, making it permissive, and, second, requiring not only the governmental agencies with which the municipality has a contract to approve but compelling as well that it shall produce security that is adequate for any loan which may be made, the amendment should be adopted. There can be no question of the ample security accorded under the amendment; no question whatever about the good it can do the people of this land. I ask for the yeas and nays upon the amendment.

Mr. GLASS. Mr. President, if I may address a question to the Senator from California, have the people of Los Angeles ever voted on the question of purchasing the private plant?

Mr. JOHNSON. I am unable to answer.

Mr. GLASS. Frankly, I ask the question because I am informed that they declined to approve the proposition.

Mr. JOHNSON. I think the Senator is in error as to that.

Mr. GLASS. I am not in error about being so informed. My informant may be in error.

Mr. JOHNSON. The Senator's informant I think is in error, because up to last Saturday the engineer and representative of the Bureau of Water and Power, Mr. Scattergood, was here, endeavoring to present this matter as best he could to those with whom he came in contact. I think the Senator's informant is wholly in error.

Mr. FLETCHER. Mr. President, very briefly, since the Banking and Currency Committee has been referred to, and the subcommittee of that committee mentioned in the

discussion here, perhaps I should explain somewhat the history of these measures.

We are likely to be somewhat confused, perhaps, by the pending amendment practically placing before us three different bills. Senate bill 3487, which is the bill we are now considering, was reported by the Senator from Virginia under these circumstances. I introduced a bill, on the recommendation of the Federal Reserve Board, providing for loans for the benefit of industry under certain circumstances and conditions. The bill provided for the setting up of 12 regional banks. It was referred to the Committee on Banking and Currency, and by that committee referred to a subcommittee, of which the Senator from Virginia is chairman. A report was made, and an amendment was suggested providing that the loans should be made by the Federal Reserve banks, without setting up the machinery of regional banks.

After thorough consideration, and some hearings before the committee, not public hearings or reported hearings, but in executive sessions, the committee agreed to amend the bill, and the Senator from Virginia introduced a new bill containing the amendments, which is Senate bill 3487, which was the original bill amended as the committee determined.

At the instance of the R.F.C., I introduced the original bill from which Senate bill 3520 resulted. That bill was amended by the committee. I was then requested by the committee to introduce a new bill conforming to the amendment to the original bill, which I did, and that new bill is Senate bill 3520.

These bills have been very carefully considered by the committee. Federal Reserve Board and R.F.C. officials have been before the committee. The committee finally determined, after extensive hearings and study of the subject, to report the two bills, S. 3487 and S. 3520, for action by the Senate.

The Senator from California is entirely correct in his statement concerning the introduction of his bill and its reference to the Committee on Banking and Currency. The Committee on Banking and Currency, however, has not been to blame; at least, I think it has not been dilatory in dealing with the Senator's bill. First it was referred, naturally and properly, of course, to the R.F.C. The report of the R.F.C. was practically noncommittal; that is to say, it left it to Congress to determine whether, as a matter of policy, it would enter upon this class of loans. The report was neither favorable nor unfavorable.

The bill was then referred to the Interior Department. That reference took a little time. The Interior Department's first report was unfavorable to the bill; and after further consideration and after some amendments or modifications of the bill, the Interior Department reported in favor of the bill introduced by the Senator from California involving that which he now has offered as an amendment to the pending bill.

The subcommittee which dealt with the question did consider the bill, heard the senior Senator from California, considered his argument and memorandum on the subject, and having before it the reports from the R.F.C. and the Interior Department, considered the whole matter.

Subsequently I brought the matter to the attention of the full committee. The full committee was not satisfied concerning the terms of the bill; and after discussing the subject for some little time there seemed to be a very great difference of opinion. I am inclined to think that had the matter been pressed at that time the committee would have reported adversely on the Senator's bill; but it was suggested, as the Senator from Virginia has mentioned, that the junior Senator from California [Mr. McAdoo] was ill, and was very much interested in this measure, and that the committee had better have it go over until he could be heard.

That was the action which was taken. There was no formal action, no resolution adopted; but that was the final decision reached by the Committee on Banking and Currency. So the matter rested there.

Now, we have the bill of the Senator from California offered as an amendment to these measures which have

been combined, because Senate bill 3520 has been adopted as an amendment to Senate bill 3487.

Mr. DILL. Mr. President, will the Senator yield?

Mr. FLETCHER. I yield.

Mr. DILL. Does the present law authorizing loans by the R.F.C. permit the loaning of money to a privately owned electric power company?

Mr. FLETCHER. I doubt it, unless it is for a public use.

Mr. DILL. Of course, such a company's operation is for a public use.

Mr. FLETCHER. I think every enterprise must be for the public use in order to come within those to which the R.F.C. is authorized to make loans. As was stated, however, in the letter of the chairman of the R.F.C., which has been read this morning, all the jurisdiction and power originally vested in the R.F.C. have been transferred to the P.W.A. The P.W.A. really is handling it.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. FLETCHER. I yield.

Mr. BARKLEY. If a utility plant, or a sewer system, or any public department is self-liquidating, the P.W.A., under the present law, may make loans to it. That function has been transferred from the R.F.C. to the P.W.A.

Mr. DILL. I am not talking about loans to cities for such plants or purposes. I am talking about loans to private power plants.

Mr. BARKLEY. There has been no amendment to the law authorizing it.

Mr. DILL. Does not the law allow that anyway? Are not private power plants included in "industry"?

Mr. BARKLEY. The R.F.C. can make loans only as specified in the act; that is, to railroads, banks, insurance companies, and others named in the act. The effect of the amendment which was agreed to in the Senate on Saturday will be to authorize them to make loans directly to private industry.

Mr. DILL. Then private power plants would be included?

Mr. BARKLEY. If there were no distinction between private power plants and private industry, it would include them.

Mr. DILL. I know that now the law does permit loans to public corporations, public subdivisions of States, and so forth. The law permits the buying of securities which do not mature for more than 10 years; so there is nothing particularly new in the 20-year feature of the provision offered by the Senator from California.

Mr. FLETCHER. No.

Mr. DILL. My point is that if we are to allow private companies to borrow money from the R.F.C., I do not see why we should not allow a municipality to borrow money to be used to produce electric power.

Mr. BARKLEY. There is nothing in any law specifically authorizing the R.F.C. to make loans to private power companies. The amendment to the R.F.C. Act proposed by the Senator from Florida is for the purpose of permitting the R.F.C. to loan money to small industries which have applied to the Federal Reserve banks and have not been able to get credit.

Mr. FLETCHER. The bill provides for furnishing loans to industry in order to maintain and increase employment, and so forth. The main object in allowing loans to be made to private industry is to maintain employment.

I wish to say in conclusion that I desire to see these two measures, Senate bill 3520 and Senate bill 3487, passed by Congress and go into effect. There is almost unlimited demand—certainly very strong and insistent demand—for these two measures to aid industry. The cry all over the country is to have capital supplied in order that industries may be started, and that industries may be continued by virtue of this financial assistance. I desire to see that done because, as I said, there is great demand for it and great need for it.

While in sympathy with what the Senator from California desires, which he has so clearly explained, I feel that if we put the Senator's amendment in the bill it will unduly load it down, and burden it, and endanger the final passage of

the bill as amended. I am afraid of that; and for that reason I shall have to vote against his amendment.

I do not desire to detain the Senate further. Let us have a vote on the amendment.

Mr. DILL. Mr. President, I shall not take the time of the Senate to discuss the question at any length. It seems to me that the fears of the Senator from Virginia are not well founded when he says that all the cities in the country will be here applying for money. Of course this provision should not apply simply to Los Angeles. I should be opposed to allowing that right merely to some one city. Before any city of importance that I know anything about can come here and make such an application it must have some kind of authorization from the city government, and I suppose in practically all the cities there must be a vote of the people. The whole question will have to be threshed out in the community or in the city which desires to obtain the loan.

I cannot understand why we should authorize the loaning of money to private power industries and refuse to allow a municipality to borrow money to produce power. It seems to me that if one is permissible the other should be permissible. I cannot understand the reasoning of those who oppose that proposal.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. DILL. I yield.

Mr. BARKLEY. Regardless of the merits of this particular amendment, it applies in a limited way only to three or four sections of the country, and in those sections to restricted territory. Does the Senator think it is fair to scores of other cities and towns in the country which do not happen to have a Government dam in their vicinity to adopt an amendment allowing communities to borrow money in order that they may take advantage of the facilities brought about by the construction of a Government dam in their neighborhood, and not enlarge it so as to give every town in the United States the same opportunity? This amendment would apply to Los Angeles, and conceivably it would apply to some communities in the Tennessee Valley, and in one or two other places.

Mr. DILL. It would apply to the entire Colorado River Valley, to the Columbia River Valley, to the Tennessee River Valley, and, if a dam should be built on the St. Lawrence River, it would apply there. To what other sections of the country would it apply?

Mr. BARKLEY. Why deny the privilege to communities which do not have a dam and never will have a dam unless they build it themselves, which they will not do? Why set up by the amendment a special class of towns near dams? Why give authority to cities which are near a dam built by the United States to borrow money to build a public plant, but deny that privilege to all the other towns of the United States? Why deny to other towns the opportunity to do the same thing?

Mr. DILL. This provision does not deny it to them. It specifically permits them to buy the plants in their communities.

Mr. BARKLEY. Not unless they have a contract with some Government agency, and that contract presupposes that a Government dam is being built in the vicinity.

Mr. DILL. Let us take the other side of this question. The Government is building these immense dams; it will have power to sell; it needs a market in these cities and communities, and thus this will in reality be an assistance to the Government in selling the power it is now producing.

Mr. BARKLEY. There is not any chance, of which I know, that it will have any better market by loaning this money to cities than it will have anyway. The cities have got to have light and power.

Mr. DILL. The difference will be that if the Government sells the power to a private company, such private company will proceed to charge such rates as it sees fit, which are always profiteering rates, while, if the Government sells to a municipal company, the power will be sold at prices simply sufficient to keep the plant in operation and take care of depreciation.



Mr. BARKLEY. I am in sympathy with all these public projects and have supported them; I have helped to vote millions and hundreds of millions of dollars out of the Treasury to build them. Now, we are asked to loan to people in the neighborhood the money in order that they may take advantage of the facilities which the Government is putting at their doors, and not allow any other town that does not have a dam near it such an opportunity. It does not seem to me to be fair.

Mr. COUZENS. Mr. President, I think this amendment, if put into proper legislative form, should carry a provision that a municipality or subdivision that applies for money shall pledge its full faith and credit for the loan. The committee almost unanimously oppose the principle involved in this form of loan, but they have not attempted, in any way, to put the amendment in better legislative form. Take my own city, for instance. It applied for some \$88,000,000 to build a subway; but, so far as I know, the P.W.A. has turned it down because the faith and credit of the city were not pledged. There is nothing in the proposal now before us which would require any municipality to pledge its full faith and credit for a loan outside of the liquidating pledge of the project itself. In other words, there is nothing in the proposal which requires the municipality to charge a rate that will even make the project self-liquidating. I am in full sympathy with the desires of the Senator from California, but I think the proposal ought to be amended so that the full faith and credit of the municipality will be behind such loans, outside the fees which may be charged for service.

Mr. DILL. Mr. President, I am not going to take more time of the Senate. I simply wanted to state my position regarding this matter.

The PRESIDING OFFICER (Mr. MCGILL in the chair). The question is on the amendment offered by the Senator from California [Mr. JOHNSON].

Mr. GLASS. On that I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. BONE (when Mr. NEELY's name was called). I desire to announce the necessary absence of the junior Senator from West Virginia [Mr. NEELY] and to state that were he present he would vote "yea" on this amendment.

Mr. ROBINSON of Arkansas (when his name was called). I transfer my general pair with the Senator from Pennsylvania [Mr. REED] to the Senator from Illinois [Mr. DIETERICH], and vote "nay."

Mr. VANDENBERG (when his name was called). On this vote I am paired with the senior Senator from Nevada [Mr. PITTMAN]. Not knowing how he would vote, I withhold my vote.

Mr. WALCOTT (when his name was called). I have a general pair with the junior Senator from California [Mr. McADOO]. I am informed that if present he would vote "yea" on this amendment. As he is detained from the Senate by sickness, and as I am unable to obtain a transfer of the pair, I withhold my vote. If permitted to vote, I should vote "nay."

The roll call was concluded.

Mr. PATTERSON (after having voted in the negative). I inquire if the junior Senator from New York [Mr. WAGNER] has voted?

The PRESIDING OFFICER. That Senator has not voted.

Mr. PATTERSON. I have a general pair with the junior Senator from New York. I am not informed as to how he would vote upon this question, and, therefore, I am compelled to withdraw my vote.

Mr. KEYES (after having voted in the negative). I have a pair with my colleague the junior Senator from New Hampshire [Mr. BROWN]. I understand if he were present he would vote as I have voted. So I will allow my vote to stand.

Mr. STEPHENS. On this vote I am paired with the senior Senator from Indiana [Mr. ROBINSON]. I transfer that pair to the junior Senator from Florida [Mr. TRAMMELL] and vote "nay."

Mr. LEWIS. I reannounce at this time the absence of certain Senators whose absence I announced on the previous roll call, and, as to my colleague [Mr. DIETERICH], who also is necessarily absent, I announce that I do not know how he would vote if present.

I desire further to announce that the Senator from South Carolina [Mr. BYRNES] and the Senator from Maryland [Mr. TYDINGS] are detained from the Senate in attendance upon committees.

I wish also to announce that the Senator from Texas [Mr. SHEPPARD] has a general pair with the Senator from Delaware [Mr. HASTINGS].

Mr. HEBERT. I wish to announce that the Senator from Idaho [Mr. BORAH] is detained in the Committee on Education and Labor, and that the Senator from Pennsylvania [Mr. REED], the Senator from Delaware [Mr. HASTINGS], and the Senator from Indiana [Mr. ROBINSON] are necessarily detained from the Senate.

The result was announced—yeas 37, nays 37, as follows:

#### YEAS—37

Ashurst	Duffy	Logan	Shipstead
Bachman	Erickson	McGill	Stelwer
Bankhead	Frazier	McKellar	Thomas, Okla.
Black	Hatch	McNary	Thomas, Utah
Bone	Hatfield	Murphy	Thompson
Capper	Hayden	Norbeck	Van Nuys
Copeland	Johnson	Norris	Wheeler
Costigan	King	Nye	
Cutting	La Follette	Pope	
Dill	Lewis	Reynolds	

#### NAYS—37

Adams	Connally	Goldsbrough	Overton
Austin	Coolidge	Hale	Robinson, Ark.
Bailey	Couzens	Harrison	Schall
Barbour	Davis	Hebert	Stephens
Barkley	Dickinson	Kean	Townsend
Bulkeley	Fess	Keyes	Walsh
Bulow	Fletcher	Lomorgan	White
Byrd	George	McCarran	
Carey	Gibson	Metcalf	
Clark	Glass	O'Mahoney	

#### NOT VOTING—22

Borah	Hastings	Reed	Tydings
Brown	Long	Robinson, Ind.	Vandenberg
Byrnes	McAdoo	Russell	Wagner
Caraway	Neely	Sheppard	Walcott
Dieterich	Patterson	Smith	
Gore	Pittman	Trammell	

So Mr. JOHNSON's amendment was rejected.

Mr. LEWIS. Mr. President, as I have previously stated, the sanitary district of my State, working with the city of Chicago, has a similar relation to the Government as the Senator from California has stated Los Angeles has to the Government. Therefore, I voted "yea."

#### MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the Senate, by Mr. Latta, one of his secretaries.

#### FINANCING OF HOME CONSTRUCTION AND REPAIR

The PRESIDING OFFICER laid before the Senate a message from the President of the United States, which was read and referred to the Committee on Banking and Currency, as follows:

#### To the Congress:

May I draw your attention to some important suggestions for legislation which should tend to improve conditions for those who live in houses, those who repair and construct houses, and those who invest in houses?

Many of our homes are in decadent condition and not fit for human habitation. They need repairing and modernizing to bring them up to the standard of the times. Many new homes now are needed to replace those not worth repairing.

The protection of the health and safety of the people demands that this renovizing and building be done speedily. The Federal Government should take the initiative immediately to cooperate with private capital and industry in this real-property conservation. We must lay the groundwork for this effort before Congress adjourns its present session.

The purpose of the program is twofold: First, to return many of the unemployed to useful and gainful occupation; second, to produce tangible, useful wealth in a form for which there is great social and economic need.

The program consists of four major, interrelated divisions:

1. Modernization, repair, and new construction;
2. Mortgage insurance;
3. Mortgage associations; and
4. Building-and-loan insurance.

The modernization phase of the program will furnish national guidance and support for locally managed renovating campaigns throughout the country and protection for home owners against unwarranted cost advances. For these purposes and to assure adequate financing at low cost and on moderate terms of repayment, a new governmental agency is required.

Modernization of commercial and industrial structures is envisioned, as well as residential, but the new features providing governmental assistance are confined largely to home improvements.

Loans to individuals will be made by private agencies, which will be insured by a governmental agency against loss up to a certain percentage of their advances. This insurance against loss on the rehabilitation loans will be met by the Government and will be confined to advances of credit that meet standards and conditions designed to protect both the home owners and the cooperating agencies.

To make funds available for new home construction and to improve the mortgage market, the second phase of the program is long-term mortgage financing. It provides mutual mortgage insurance under governmental direction to enable private agencies to make first-mortgage loans on newly constructed houses up to 80 percent of the appraised value of the property and to make new mortgages on existing homes up to 60 percent of the appraised value of the property. The loans will usually carry not more than 5 percent interest and will be amortized by periodic payments over 20 years. Similar insurance arrangements are provided to help finance low-cost residential projects of the slum-replacement type.

The third phase provides for the incorporation of mortgage associations under strict Federal supervision to increase the amount of mortgage funds available in regions where interest rates are unduly high because sufficient local funds are lacking. The activities of these associations will be limited almost entirely to insured residential mortgages.

Insurance for share and certificate holders in building-and-loan associations, similar to the insurance provided for bank depositors, is the fourth phase of the program. These institutions are custodians of the funds of small savers, and it is essential that they should be given every reasonable protection. Insurance of this type is necessary in order to arrest any further drain on these institutions and to put them in a position to resume their normal useful functions.

I believe that the initiation of this broad and sound program will do much to alleviate distress and to raise perceptibly the standards of good living for many of our families throughout the land.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 14, 1934.

Mr. FLETCHER. Mr. President, in pursuance of the President's message, I request unanimous consent to introduce a bill, and ask its reference to the Committee on Banking and Currency.

The PRESIDING OFFICER. Without objection, the bill will be received and referred, as requested by the Senator from Florida.

The bill (S. 3603) to improve Nation-wide housing standards, provide employment, and stimulate industry; to improve conditions with respect to home-mortgage financing, to prevent speculative excesses in new mortgage investment, and to eliminate the necessity for costly second-mortgage financing by creating a system of mutual mortgage insurance and by making provision for the organization of addi-

tional institutions to handle home financing; to promote thrift and protect savings; to amend the Federal Home Loan Bank Act; to amend the Federal Reserve Act; and for other purposes, was read twice by its title and referred to the Committee on Banking and Currency.

#### MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 5950) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and acts amendatory thereof and supplementary thereto.

The message also announced that the House had agreed severally to the reports of the committees of conference on the disagreeing votes of the two Houses on the amendments of the House to the following bills of the Senate:

S. 2080. An act to provide punishment for killing or assaulting Federal officers;

S. 2249. An act applying the powers of the Federal Government, under the commerce clause of the Constitution, to extortion by means of telephone, telegraph, radio, oral messages, or otherwise;

S. 2252. An act to amend the act forbidding the transportation of kidnaped persons in interstate commerce;

S. 2253. An act making it unlawful for any person to flee from one State to another for the purpose of avoiding prosecution in certain cases;

S. 2575. An act to define certain crimes against the United States in connection with the administration of Federal penal and correctional institutions and to fix the punishment therefor;

S. 2841. An act to provide punishment for certain offenses committed against banks organized or operating under laws of the United States or any member of the Federal Reserve System; and

S. 2845. An act to extend the provisions of the National Motor Vehicle Theft Act to other stolen property.

#### LOANS BY FEDERAL RESERVE BANKS TO INDUSTRIES

The Senate resumed the consideration of the bill, S. 3487, relating to direct loans for industrial purposes by Federal Reserve banks, and for other purposes.

Mr. VANDENBERG. Mr. President, Saturday, collaborating with the senior Senator from New York [Mr. COPELAND], I submitted an amendment to the pending bill which contemplated additional depositors' relief for the bank depositors of the country whose funds have been tied up in closed banks. In the form in which the amendment was submitted last Saturday it directed the Reconstruction Finance Corporation to loan 100 percent of the fair estimated liquidating value of the assets tendered as security for such loans and to reduce the interest rates upon the loans to 3 percent. The amendment was rejected.

I have modified the amendment, in consultation with my colleague and the Senator from New York, and with others, so as to limit the application of the new proposed authority to the receivers or the liquidating agents of banks and savings banks which have been closed since January 1, 1933. I have injected the element of discretion in respect to the use of this power by the Reconstruction Finance Corporation, and I have increased the rate of interest from 3 percent to 3½ percent.

In collaboration with the Senator from New York [Mr. COPELAND], and in his behalf as well as my own, I am now offering the altered amendment. I do not want to take time to argue it. That was amply done Saturday. However, I want the Senate to understand precisely what it is that is proposed. It is proposed that receivers or other liquidating agents of closed banks and closed savings banks shall be permitted, in the discretion of the Reconstruction Finance Corporation, to borrow 100 percent of the fair estimated liquidating value of the assets tendered to the Reconstruction Finance Corporation as collateral for the loans.



It is proposed that this privilege shall be permitted only to those banks which have closed since January 1, 1933, which means, of course, the vast field which closed in respect to the general bank holiday of 1 year ago. The net result of the operation of the amendment would be simply this:

At the present time the Reconstruction Finance Corporation has made its appraisal upon these assets of the various banks. It has made the appraisal on a thoroughly business-like, conservative basis. Against that appraisal, in turn, it has loans, let us say, of 60 or 75 percent of the appraised value of the assets. This amendment would increase the loans to 100 percent of the appraisals and reduce the interest rate to 3½ percent per annum. This amendment proceeds on the theory that the Government owes a final obligation to liquidate so far as possible the deposits that are still tied in these banks. It proceeds on the theory that if we want currency expansion and bank-credit currency expansion, the best possible way to get it is in a maximum rational distribution of the deposits that are still tied in the closed banks. It proceeds on the theory that the rate of interest charged by the Reconstruction Finance Corporation upon these loans should be only such a rate of interest as permits the Corporation to break even in respect to its operation; that there should be no profit in that aspect of the operation.

Therefore, in this amended form I submit this proposal on behalf of the Senator from New York [Mr. COPELAND] and myself, in the hope that in this fashion we can close, so far as this particular bill is concerned, this particular phase of the legislation.

I offer the amendment which I send to the desk. Perhaps I had better read it myself in order to be sure that it is read correctly, since it is written in hasty longhand.

I move to add a further section reading as follows:

That the Reconstruction Finance Corporation Act is hereby amended by adding, at the end of paragraph 1 of section 5, the following sentence:

Notwithstanding any other provisions of law with respect to loans as aforesaid to receivers or liquidating agents for banks and savings banks that closed since January 1, 1933, and are in process of liquidation, the Corporation shall loan, in its discretion, 100 percent of the fair estimated liquidating value of the assets tendered as security for such loans, and shall charge interest thereon at a rate not to exceed 3½ percent per annum.

Mr. HAYDEN. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. HAYDEN. I could not tell from hearing the amendment read whether it applies only to national banks or to banks which are members of the Federal Reserve System. Is the amendment broad enough to include State banks, not members of the Federal Reserve System?

Mr. VANDENBERG. It includes all banks and savings banks that are covered by the original bill, which, as the Senator knows, includes every bank that now has a loan with the Reconstruction Finance Corporation, and covers all such classifications of banks.

Mr. COPELAND. Mr. President, it does seem to me that this modified proposal which was offered by the Senator from Michigan [Mr. VANDENBERG] on his behalf and mine might well be accepted.

Before the Senate adjourned on Saturday night I left on the table a joint proposal of the Senator from Michigan and myself. That, however, is not before us. The pending proposal does this:

The Reconstruction Finance Corporation has already made these appraisals. In many instances a percentage has been loaned upon these assets. If this particular measure shall be adopted, it will permit 100-percent loans upon such assets.

It is understood, of course, that a conservative estimate is to be made. They are not the sort of assets that could be liquidated tomorrow or the next day, but they are assets which can be liquidated if sufficient time is given those in charge of the local banks to deal with them.

I spoke the other day about experience with a half dozen banks in my State gained from personal contact with those banks. Of course, six banks or seven banks is a very small

number, and yet the conditions which obtained in that number of banks must obtain throughout the country.

I have in mind one bank located in Orange County, in my State, which is in the midst of the biggest onion patch in the world. There are seven or eight thousand acres in that immediate neighborhood which are tilled by subsistence farmers. They are small farms, but nevertheless in normal times they produce enough income to make possible decent living for every farm family.

A good many of these farmers had notes or mortgages at the local bank in Florida, Orange County, N.Y. About the time it was necessary to liquidate its assets in order to have funds to continue the operation of the bank, there was a flood in the Wallkill River, which flows through this onion country. A million dollars' worth of onions were destroyed in 2 or 3 days, making it impossible for those farmers to meet their obligations to the bank.

I know many of the farmers personally. I know the conservator of the bank. We went over the assets of the bank; and it was perfectly clear, both to the conservator—who had been the cashier for a long time—and to me, knowing the farmers involved, that there could be no question that the assets in question had a 100-percent face value; that it needed only a little time to work out the problem of liquidation.

Mr. President, what happened in Florida, N.Y., no doubt happened in every county in this country. If a way could be found to release many of these deposits, it would mean much to the return of prosperity.

We cannot deny the fact that there is much discontent in America. In certain sections of America discontent is seething. Many of the persons to whom we refer as the "white-collar class", who have been diligent and active, cannot understand why we are willing while ignoring their plight, to give millions to others through the C.W.A., where much of the work was "made" work. I am not complaining about that, because I think it was very necessary that we should do it. I am simply speaking of the fact that these persons of the white-collar class, who have all the possessions they have tied up, cannot understand why, through the C.W.A., there should be these gifts of millions of dollars and no relief given to these faithful citizens who have striven through the years to accumulate something for old age. They cannot understand, either, why millions have been loaned to railroads, while no particular effort is made to take care of the distress of the depositors in local banks.

Mr. President, in the interest of better feeling in our country, in the interest of justice to these citizens who cannot help themselves, I believe that we ought to go at least this far.

There is no need of my prolonging my remarks. Every Senator here knows exactly what the problem is. Every Senator must have been called upon, as I have been many times during the past year, to give advice regarding these local difficulties. So I hope the committee may see fit to accept the modified proposal made by the Senator from Michigan [Mr. VANDENBERG] and myself, accept this amendment to the measure, and let it go to conference, in the hope that some relief may be given to the distressed depositors in banks throughout our country.

Mr. GLASS. Mr. President, if Senators do not want us, through the usual banking channels, and now directly through the Federal Reserve banks of the country, and in the last analysis through the Reconstruction Finance Corporation, to go to the assistance of thousands of struggling industries with inadequate capital to carry on and with inadequate capital to expand their industries—if Senators do not want us to do that, they will continue to seek to load down this bill with propositions which I happen to know cannot become law.

If this particular amendment should be adopted, it would open up in another branch of Congress the entire question of so-called "relief" to depositors in failed banks. It would almost certainly insure an opportunity in another branch of Congress to vote on propositions that would literally bank-

rupt the Federal Treasury. For that reason, if for no other, I could wish that my distinguished colleagues would refrain from embarrassing this bill, which is intended to help going industries that are in trouble in a way that will insure the retention of their present force of employees, and also enable them to expand their business, and contribute thereby to lessening unemployment in this country.

Under existing law, to wit, the Bank Act of 1933, the Federal Deposit Insurance Corporation is authorized, and not only authorized, but it is made its duty, to purchase, hold, and liquidate, as hereinafter provided, the assets of national banks which have been closed by action of the Comptroller of the Currency, or by vote of their directors, and the assets of State member banks which have been closed by State authority.

Mr. President, that was confined to member banks of the Federal Reserve System for two reasons; first, for the very good reason that we appropriated \$140,000,000 from the reserves of the Federal Reserve banks which are owned by the member banks of the System for this purpose, and authorized assessments against member banks for this purpose. Neither the committee nor the Congress could see the justice in taking the funds of the Federal Reserve Banking System and appropriating them to the use of non-member banks, which endure none of the restrictions and none of the exactions which member banks in the Federal Reserve System must endure.

There was a second reason, not of less importance than the one I have mentioned; that is, that we had set aside, first, \$200,000,000 for the assistance of nonmember banks in the appropriation and authorization to the Reconstruction Finance Corporation. We afterward withdrew the restriction of \$200,000,000 and authorized the Reconstruction Finance Corporation to go to the assistance of these banks without restriction.

Now it is proposed in this bill, which relates to an entirely different matter, to open up the whole question of taking money from the Federal Treasury exacted from the taxpayers of the country to reimburse depositors in failed banks.

Mr. President, I pause to ask whether the amendment proposed on Saturday by the Senator from New York and the Senator from Michigan has been withdrawn, and whether the pending amendment is substituted in its place.

Mr. VANDENBERG. For the time being, Mr. President, if I may respond, we are now undertaking to get assent to this proposition, in the hope that we may conclude this phase of the legislation with this amendment.

Mr. GLASS. Which means, of course, that if the amendment shall not prevail we will go back to the amendment offered day before yesterday.

Mr. VANDENBERG. The Senator is correct, I assume.

Mr. GLASS. I want the Senate to understand that that might easily, and would inevitably, wipe out every dollar in the fund provided for the insurance of bank deposits in the act of 1933.

Just think of it; talking about loans to railroads and to other institutions, the Reconstruction Finance Corporation has made commitments to banks amounting to \$783,000,000. Nearly a billion dollars have been expended by the Reconstruction Finance Corporation in aid of banks. Now we are asked to authorize that Corporation to take an unrestricted and an unlimited amount of the taxpayers' money to pay out for this purpose.

I wish to stress the first objection urged to this proposition. It opens up the whole question, and would probably, if not inevitably, mean that in another branch of the Congress there would be attached to the bill a proposal which the Treasury and the President say literally would bankrupt the Government of the United States.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. GLASS. I yield.

Mr. TYDINGS. I am advised that one of the agencies of the Government made a survey of the frozen deposits in the closed banks, and while I have not the figures exactly accurate, I have figures which are substantially accurate. It is stated that if the Federal Government should attempt to

pay off all of the depositors, and could realize 100 cents on the dollar on the collateral against these deposits, it would lose in the neighborhood of \$1,400,000,000 on the transaction.

Mr. GLASS. Mr. President, as I have said, I wish to stress this view of the question, that it opens up the whole problem, and there might be attached to the bill provisions which would inevitably result in an Executive veto, and then we would have denied to thousands of deserving and going but struggling industries in this country any aid whatsoever.

Mr. LEWIS. Mr. President, will the Senator yield to me?

Mr. GLASS. I yield.

Mr. LEWIS. I inform the Senator from Virginia that I have not been without a great many demands on me to take steps similar to the proposition of placing the Treasury behind these deposits all over the country, to return to those who had lost their deposits in the State banks as well as national banks.

I ask the Senator, under what law, by what authority now existing, could the Government take possession of the assets of State banks, or the securities behind these lost loans? In what manner could the Federal Government assume to take charge of these State institutions and force the stockholders to respond to the liability, or to collect from the assets such as the able Senator from Maryland alludes to, if there be such behind the loans? Where is there any law, may I ask the able Senator, acquainted with the subject from his long association with banking, under which the Federal Government could go into the States and take charge of banks which have failed?

Mr. GLASS. There is no law which would enable the Federal Government to take charge of nonmember banks, which largely outnumber member banks. If there were a law which would enable it to do so, it would be found on utter injustice. Why should the taxpayers of this country be required to go down into their pockets and pay losses of 7,000 banks over which the Federal Government has no control whatsoever? It has not even the poor privilege of sending one of its examiners into their establishment to find out whether they are doing an illicit, an irregular, or an honest business. Why should that be done? There is no consideration of justice that would warrant any such procedure.

Mr. President, I was not apprised of this proposed substitute for the amendment offered on Saturday; therefore, I cannot say literally what would be the attitude of the Comptroller of the Currency as to it, but I have in my hand a letter from him which utterly opposes the proposition presented by the Senator from New York on Saturday, and I ask to have it inserted in the Record immediately following my remarks.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

(See exhibit 1.)

Mr. GLASS. I beg the Senate to understand that if Senators desire to do anything approaching that which is intended by this proposal, it should be done in a separate, independent bill, and not in the form of an amendment to the pending bill, thereby jeopardizing loans amounting to half a billion dollars through regular banking processes to the struggling industries of this country.

#### EXHIBIT 1

TREASURY DEPARTMENT,  
Washington, May 14, 1934.

DEAR SENATOR GLASS: You have asked for my reaction to amendment offered by Senator COPELAND, of New York, to amend section 12B of the Federal Reserve Act, and particularly that part of the amendment which will add a new subsection "z."

The funds available to the Federal Deposit Insurance Corporation consist of \$150,000,000 appropriated from the Treasury for the capital stock, plus \$139,299,556 received from Federal Reserve bank assessment payments and \$39,373,449 received from bank assessments for the temporary fund. Paragraph (y) of the Banking Act provides that the Corporation shall refund to the member banks of the temporary fund all their assessments, less expenses of operation and liabilities incurred, which therefore makes unavailable the amount paid in for temporary insurance. The provisions of paragraph (o) of the act permit the Federal Deposit Insurance Corporation to issue notes, debentures, bonds, or other obligations up to three times the amount of its capital. You will note that these securities would not be direct obligations of the United States Government and would not be guaranteed by the Government, and in my opinion they could only be floated at a



great sacrifice. You will recall that under the Home Loan Act securities were issued, but the Government guaranteed the interest, and last summer these sold in a thin market at between 60 and 70 cents on the dollar. If securities were issued under the provisions of the bank act which had neither the principal nor the interest guaranteed by the Government, it is mere conjecture what they could be sold for. In other words, under the present wording of the law no one would urge that securities be issued.

Therefore, the rather small amount contributed by the Government to the banks, as compared with a commitment of \$783,000,000 already made by the Reconstruction Finance Corporation on the assets of closed banks, both State and National in the United States, would give but small relief. Moreover, of those national banks which have gone into receivership since March 1, 1933, all have received loans where it is possible to make a loan except 155, and 144 of these will receive loans within 60 to 90 days.

Again, if the funds of this Corporation under direction of the Congress are to be used to purchase the assets of closed banks or to loan on closed banks, the depositors of the Nation would hardly be justified in having confidence in an insurance corporation which had no funds with which to pay the depositors of a closed bank in the event of a failure.

This bill contemplates purchase of or loans against the assets of these banks to be made on the basis of an appraisal of their values as considered under normal conditions, thus embodying the common erroneous conclusion that these assets have an undisclosed recovery value which will greatly increase their worth when conditions are improved. This conclusion overlooks the fact that in most cases the best of these assets have been liquidated and that much of that which remains consists of real estate and mortgages, the carrying of which involves a depreciation element that may more than offset recovery appreciation. They also consist in large part of ill-advised loans and investments, and what may be gained through economic recovery in one case may be lost in another by bankruptcy or death of the debtor.

I feel that nothing should be done to undermine or destroy, or even cast reflection on, the Federal Deposit Insurance Corporation, and that to carry out the provisions of the amendment referred to would certainly do so, for it would practically be advising the depositors of banks now insured that the insurance, due to lack of funds, was carried in what might be termed a "busted" corporation.

Very truly yours,

J. F. T. O'CONNOR, *Comptroller.*

HON. CARTER GLASS,  
*United States Senate, Washington, D.C.*

Mr. VANDENBERG. Mr. President, I desire to apply a few correcting sentences to the statement of the Senator from Virginia.

The Senator has made a powerful argument against proposals which are not pending in this motion at all; in fact, practically his entire argument is addressed to propositions which are not pending in connection with this proposal. He has argued against a pay-off bill which is pending in the House of Representatives, and which is unrelated in terms or otherwise, in any degree or fact, to the pending amendment. He has argued forcefully against another amendment which was submitted by the Senator from New York on Saturday, which is not now before the Senate, and which is not involved in the amendment now pending before the Senate.

There is no possibility of bankruptcy or anything related to bankruptcy of the Government in the pending amendment. There is nothing in the pending amendment which asks the Reconstruction Finance Corporation to acknowledge anything except fair liquidating value in the banks of the United States which have been closed. There is nothing in the pending amendment which does not leave the determination of that value to the judgment of the Reconstruction Finance Corporation. There is nothing directly or indirectly which justifiably invites the use of the word "bankruptcy", or any paraphrase of it, in connection with the discussion of the pending amendment.

Mr. President, the Senator from Virginia suggests that this amendment may jeopardize the industrial loan bill. I should be the last man in the Chamber to jeopardize the industrial loan bill. The Senator from Virginia states that he is in position to assert that no legislation of a character similar to that which is now pending can finally become a law at the present time. I do not know whether or not he intends to apply that stricture literally to the pending amendment. I do not see how he could possibly know whether the pending amendment, which was only born an hour ago, falls within any such general category. I say to him, however, that if this amendment should go to confer-

ence, and the President of the United States should undertake to say that the industrial loan bill could not be signed with this amendment in the bill, I should consider the Senate conferees entirely justified in eliminating it.

I am not seeking to embarrass the industrial-loan bill, and I know that in this aspect I completely reflect the attitude of the Senator from New York. Neither are we contemplating one nickel's loss or burden to the Government of the United States in connection with the liquidation of these bank assets. We contemplate solely and only the maximum use of safe governmental credit for the purpose of giving the depositors of the country the maximum use of such portion of their deposits as can be liquidated at fair liquidating values.

Mr. BARKLEY. Mr. President, in order that we may understand what it is that the Senator from Michigan is attempting to amend, I desire to read the first paragraph of section 5 of the Reconstruction Finance Corporation Act, as follows:

To aid in financing agriculture, commerce, and industry, including facilitating the exportation of agricultural and other products, the Corporation is authorized and empowered to make loans, upon such terms and conditions not inconsistent with this act as it may determine, to any bank, savings bank, trust company, building-and-loan association, insurance company, mortgage-loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State or of the United States, including loans secured by the assets of any bank, savings bank, or building-and-loan association that is closed, or in process of liquidation to aid in the reorganization or liquidation of such banks or building-and-loan associations, upon application of the receiver or liquidating agent of such bank or building-and-loan association, and any receiver of any national bank is hereby authorized to contract for such loans and to pledge any assets of the bank for securing the same.

As the Senator from Virginia has already pointed out, under that authority nearly \$800,000,000 have been loaned by the Reconstruction Finance Corporation to the institutions named under the authority just read. It is now proposed to add another sentence in the following language:

Notwithstanding any other provisions of law with respect to loans as aforesaid to receivers or liquidating agents for banks and savings banks that closed since January 1, 1933, and are in process of liquidation, the Corporation shall loan, in its discretion, 100 percent of the fair estimated liquidating value of the assets tendered as security for such loans, and shall charge interest thereon at a rate not to exceed 3½ percent per annum.

The words "in its discretion" have been interpolated, written in. As originally drawn, the amendment gave the Corporation no discretion either as to whether it should make the loan or as to the amount of the loan it should make.

Mr. President, we might as well look at this matter in a practical way. For a long time industries which are on the edge, which could not comply with the rigid banking requirements and meet the inspection and examination of bank examiners and the N.R.A. requirements also, as the Senator from Virginia suggests, have been asking Congress to liberalize the authority of the Reconstruction Finance Corporation in order that the Corporation may make loans directly where the circumstances justify it, by reason of the hope that the concerns may continue to operate and keep men in employment.

We realize that one of the original objects of the Reconstruction Finance Corporation was to enable concerns to continue to employ men. The Reconstruction Finance Corporation has done a great piece of work. Considering the amount of loans involved, and the condition of industry and of banks and of all those to whom loans were made under the authority of the act, I believe that there will be a smaller net loss ultimately to the Government than could have been brought about by any other similar organization, public or private, in the United States of America.

There is, and there has been, an insistent demand that industries not covered by the law at this time to be permitted to borrow money from the Reconstruction Finance Corporation, because they cannot borrow it from banks. I shall not criticize the banks for not loaning money to industries. Banks must confine their loans to what they believe to be sound loans. They must accept security which will pass the

most scrutinous eye of a bank inspector or examiner. The Reconstruction Finance Corporation has tried to meet the situation under this act, because it mentioned "mortgage-loan companies." All over the country efforts have been made by industries and concerns which needed money and could not go directly to the R.F.C. to go to it indirectly. By the process or the device of organizing a mortgage-loan company an effort has been made to borrow when otherwise it could not have been done.

Mr. President, in order to go as far as the Reconstruction Finance Corporation could possibly go in attempting to aid industry, it issued a circular, which I believe is known as "Circular No. 11", setting out the method by which such mortgage-loan companies might be organized, to be made up of the applicants for the loans themselves. There was a requirement that if there were as many as five persons forming the loan company they should each take 20 percent of the stock of the mortgage-loan company in order to qualify them to be members of the loan company, and to participate in the lending of money. There was a provision for a minimum of three. That made it necessary for each of the five concerns joining in the organization of a mortgage-loan company, for example, to qualify with respect to its individual condition to form the mortgage-loan company and get the money, paying in its 20 percent, which really meant a reduction of the actual net amount that each could borrow after having put in 20 percent as the stock of the mortgage-loan company before it could borrow a dollar. In other words, not less than three had to yoke themselves up together and all of them qualify by taking stock in the organization of the mortgage-loan company in order that any one of them might get money from the Reconstruction Finance Corporation.

I have within my knowledge concerns in my State—and my attention has been brought to concerns in other States since this matter has been agitated—which are perfectly solvent, which are going concerns, which are employing labor, but which need additional money in order that they may buy raw materials, in order that they may even carry out contracts already in existence, in order that they may continue their men and take on more men, but because they are unable to find two other concerns in the same situation in order to form a mortgage loan company, they have been unable to borrow money from the Reconstruction Finance Corporation.

The pending bill as it has now been perfected by the amendment which was agreed to last Saturday allows every concern in this country to go as a single concern to the Reconstruction Finance Corporation and lay its condition on the table before the Board of Directors, and, if entitled to it, to obtain a loan in its own name, without having to be yoked up to two or three other organizations in the community.

Mr. CONNALLY. Mr. President—

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from Texas?

Mr. BARKLEY. I yield.

Mr. CONNALLY. This bill, in neither of the provisions referred to, proposes any new agency; no new bank is set up?

Mr. BARKLEY. Not at all.

Mr. CONNALLY. It merely utilizes the agencies already in existence?

Mr. BARKLEY. Just the agencies that are now in existence.

Mr. CONNALLY. Some time back it was mentioned that we were going to have a new system of what were called, I believe, "intercredit banks." This measure, as I understand, supplies the want which was supposed to make desirable the creation of intercredit banks.

Mr. BARKLEY. It was suggested originally that 12 regional banks should be set up in addition to the 12 Federal Reserve banks. It was at that time felt by some that probably that was a better scheme than to authorize direct loans by the Federal Reserve banks themselves, already in existence; but, after mature consideration the Senator from Virginia [Mr. GLASS], the Governor of the Federal Reserve Board, the chairman of the board of directors of the Recon-

struction Finance Corporation, the Banking and Currency Committee, and others, decided that there was no need to organize 12 more banks; that it would be simpler to authorize the Federal Reserve banks now in existence to make such direct loans for a period of 5 years, provided, of course, an individual concern could qualify by putting up security that would be sound and pass muster of the Federal Reserve banks. It is presumed that in all likelihood there will be greater liberality in making these loans than there has been heretofore; but under the law as it now exists the Federal Reserve banks and the member banks cannot make these long-term loans for as much as 5 years.

I have within my knowledge at least a score of industries in my own State which cannot borrow money from banks. Some of them already owe banks, and they cannot increase their borrowings; but they are solvent, and, if given a year or two or three, they may work out their industrial, economic, and financial system, keep their plants going, and keep their men employed. But they cannot do it on the short-term loan now authorized by law through banks, and they cannot obtain loans from the Reconstruction Finance Corporation directly.

Mr. GLASS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from Virginia?

Mr. BARKLEY. I yield to the Senator.

Mr. GLASS. May I remind my colleague also that under existing law member banks may not rediscount such loans at the Federal Reserve banks, but under this bill, for the first time, every one of the nearly 7,000 member banks is authorized to rediscount loans of this nature at the Federal Reserve banks.

Mr. BARKLEY. I happen to know of some concerns in my State—and I mention my State because, of course, I know more about it, but I am sure every Senator here has had the same experience—the presidents of which have come here to borrow money but, on account of the rigid requirements of the law and on account of the fear that has naturally been engendered in the minds of bank officers and bank directors—they have been compelled to be more cautious since the opening of the banks after the bank holiday than they were previously—it has been an utter impossibility to provide loans for many deserving companies, that ought to be preserved, that ought to be allowed to work out their condition, that ought to be allowed to continue the employment of hundreds of thousands of men, rather than to throw them out on the streets and make them objects of charity, and have Congress forced to increase appropriations in order to feed and clothe them as a matter of charity. Therefore we have before us what is ordinarily known as the "Glass bill" which authorizes member banks and Federal Reserve banks to make these loans, requiring only that they must be sound loans.

Then we have considered the possibility that, under the strict rules of banking, realizing banking psychology, the psychology of the man behind the counter in a bank, who may expect a bank examiner to come along tomorrow to inspect the kind of collateral he has exacted as security for a loan, many of these concerns might not even be able to qualify to obtain loans from banks. Under those circumstances the amendment which was agreed to last Saturday authorizes the Reconstruction Finance Corporation, after a company needing money has exhausted all its power and opportunity to borrow money from banks, to make such loans. If the Reconstruction Finance Corporation believes, under all the circumstances, that aid ought to be rendered to that concern in order to keep it going, in order to keep its men employed, in order to give it additional capital, in order to buy raw material and turn out finished products, that Corporation has the power under the amendment to make the loan. That is only supplemental to the authority conferred by the original bill on the Federal Reserve banks and the member banks.

These two provisions supplement each other. They are utterly necessary. I have for a long time felt and contended that it would be better even for the Government to take a chance on losing some of the money which it might loan



these concerns rather than to have them closed and thousands of men be thrown upon the streets to become objects of charity, and then, under the Civil Works program or some other relief program, appropriate money out of the same Treasury, which money would be given and not loaned, and from which we would obtain no return except the consciousness that we had not allowed men, women, and children to suffer from hunger or cold or for lack of shelter.

I want to say perfectly frankly that we all understand that in the other body of the Congress there has been for weeks pending a measure to pay the depositors in closed banks. It has been estimated by the Treasury, I believe, that, taking into consideration present values of the securities which might be put up and realized on by the Government, if the Government were to do this, it would involve a net loss of more than \$1,000,000,000 out of the Treasury of the United States.

In other words, after taking all the assets of the closed banks, liquidating those assets and realizing upon them, that bill would involve an expenditure, a gift, out of the Treasury of the United States of more than \$1,000,000,000.

Mr. DILL. Mr. President—

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from Washington?

Mr. BARKLEY. I will yield in just a moment. It has been impossible—and I am not saying that in any criticism; I am simply stating a fact—it has been impossible to obtain a vote on that measure in the other body. It is well known that the President is opposed to it; that the Secretary of the Treasury is opposed to it; and that if it were passed independently or incorporated in this bill it would result in a veto. Now I yield to the Senator from Washington.

Mr. DILL. I read in the newspaper a statement to the effect that Mr. Jones testified before the House committee some weeks ago that the minimum loss would be \$2,500,000,000.

Mr. BARKLEY. I am trying to be as conservative as possible.

Mr. DILL. I have seen the other statement, but I thought that applied to a more recent situation.

Mr. BARKLEY. There has been a discrepancy as to the estimates of different agencies as to how much the actual loss would be.

Mr. GLASS. Mr. President, I may interject there that Mr. Jones, perhaps, made the statement referred to by the Senator from Washington for the reason that Mr. Jones does not speak of these assets as "frozen" assets but as "lost" assets.

Mr. BARKLEY. Yes; that is the difference. However, what I am trying to do is to show that, even if the reasonable value could be realized upon these assets as they are now, we would lose anywhere from a billion to a billion and a half dollars by this transaction.

Mr. LOGAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Kentucky yield to his colleague?

Mr. BARKLEY. I yield to my colleague.

Mr. LOGAN. Mr. President, I am trying my very best to find out how I should vote on this amendment. I have listened to my colleague, and also to the Senator from Virginia, and I am wondering is this amendment substantially the same as the McLeod bill, which is pending in the House. As I understand, this amendment simply says to the Reconstruction Finance Corporation that if a receiver has been appointed for a bank and the assets of that bank certainly are reasonably worth half the face value of the assets, then the Reconstruction Finance Corporation may loan to that bank sufficient money to pay the depositors so far as it will, and then that the receiver shall collect and pay back the money to the Reconstruction Finance Corporation. If that be the provision of this amendment, it would not compel the payment of billions of dollars; and it seems to me it would not compel the loss of a cent, unless there was bad judgment on the part of the Reconstruction Finance Corporation.

Mr. BARKLEY. I have made no contention that the amendment as now drawn is the same as the McLeod bill.

The contention I am making is that if we put the amendment or any similar amendment on the bill and it goes to the House of Representatives it will open up the whole situation and the McLeod bill may be offered as a substitute and a vote taken upon it. If such a substitute should be adopted then it would not be in conference. The conferees could not strike it out. The hands of our conferees would be tied. They would have to accept this amendment or the McLeod bill or something between the two, but they could not eliminate both propositions from the bill. That is the parliamentary danger. I think we might as well have it in mind when we vote on the pending amendment.

Then, infinitely more important it is that we should get some measure through that will become a law, that will bring immediate aid to hundreds of thousands of perfectly solvent business institutions in the country to enable them to keep producing goods, to keep men employed, and to fulfill their contracts than it is for us to try to adopt some provision which cannot become a law but which will probably jeopardize any assistance whatever that we might be able to afford by reason of the other provisions of the bill.

The making of loans is not a discretionary matter under the amendment. An amendment may always be changed or modified. The amendment provides that "The Reconstruction Finance Corporation, notwithstanding any other provision of law, shall in its discretion", and so forth. I do not exactly understand how the word "shall" in connection with the words "in its discretion" will be interpreted. I doubt whether the Reconstruction Finance Corporation has discretion to make loans or to figure the amount, because the amendment provides that they shall make the loans to the extent of 100 percent of the appraised value of the assets held by the bank.

Mr. BLACK. Mr. President—

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from Alabama?

Mr. BARKLEY. I yield.

Mr. BLACK. I want to see if my understanding is correct. Under the law as it now is, the Reconstruction Finance Corporation could lend on a 100-percent appraisal if they so desired, but the amendment would make it mandatory that they lend a full 100 percent on any appraisal that is made. Is not that the difference?

Mr. BARKLEY. That is true. Even if we admit that they have the discretion to make the loan, they would have no discretion as to the amount. They would be compelled under the terms of the amendment to lend 100 percent. That may or may not be enough to pay off the depositors.

Mr. LEWIS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from Illinois?

Mr. BARKLEY. I yield.

Mr. LEWIS. I dare say; and I assume that the Senator from Kentucky [Mr. BARKLEY] and the Senator from Virginia [Mr. GLASS] both recall the joint measure of the Senator from Florida [Mr. FLETCHER] and myself which assumed to offer a remedy to general business by business loans from the Government, and thus that I am not unacquainted with what must have been the studied efforts in connection with the measure now under consideration, as this bill embodies the Fletcher-Lewis measure and its spirit. I ask the Senator from Kentucky, is not the meaning of the suggestion of the Senator and that of the Senator from Virginia that if the bill, which now affords a remedy to business institutions, to give them an opportunity directly to borrow that they may continue building themselves up or initiating their new operations, should have attached to it the amendment now pending, such would so complicate the measure, and invite other amendments with it, as to jeopardize the principal measure allowing business loans and of itself failing of enactment before the session should end?

Mr. BARKLEY. The Senator has stated the situation exactly. The Committee on Banking and Currency has not given any consideration to the matter of the amendment. There has been much publicity with reference to a bill on

the subject pending in another body, but the committee has not given any consideration to it. It has not had the opportunity to do it. It has not had the time to do it. Certainly we cannot or should not vote blindly here to place upon the Treasury of the United States the possibility of being compelled to lose a billion dollars.

I have no way to predict what may happen in conference to the amendment or what changes may be made if it shall be adopted. What I am saying about the particular amendment now pending applies to any other amendment of a similar character that may be offered. When we have adopted it we may have opened up a Pandora's box. No one knows the form the legislation might take before it reaches the White House for signature or disapproval if the amendment is attached to the bill, which, as everybody admits, is meritorious and is needed.

Industry all over the country is watching the vote here today to know whether tomorrow or next week it may make application for loans which it has been trying for months to get. If we load down the bill with something in the form of an amendment that may defeat any relief whatever, we will have rendered no service either to industry or to labor or to agriculture or to the people of the United States. On the contrary, we may have a larger bill for relief than we have ever had heretofore.

Mr. President, that is all I care to say about the amendment. I hope we may not lose sight of the possibilities involved in the proposed legislation and in its defeat either here or elsewhere. I hope, therefore, the amendment will be defeated.

Mr. COPELAND. Mr. President, I assume from what the Senator from Kentucky [Mr. BARKLEY] said in closing that he is opposed to the amendment. Much of what he said had nothing to do with the amendment. We have heard about what is happening in the House of Representatives, but we are not talking about events there.

This is a simple amendment which may properly be considered by the Senate. Unless it is considered here it will not be considered anywhere. The Senator from Kentucky said the Finance Committee has no time to give to extraneous matters and consequently cannot consider this. Therefore, the only place in the world we have to get any relief, and limited relief at that, for the depositors in the closed banks is through an amendment to the pending measure such as is now pending and under consideration.

It has been intimated that those of us who wish to amend the bill are somehow or other opposed to it. I am not opposed to the pending bill. On the contrary, I am heartily in favor of it. If we cannot get the banks to function as banks instead of pawnshops, it is necessary for the Government to go into the business of lending money for the sake of industrial restoration. I am heartily in favor of the bill. I believe it is a bill which together with the liberalization of the Securities Act we passed the other day will do much to restore prosperity.

It is my judgment that if the amendment proposed by the Senator from Michigan [Mr. VANDENBERG] and myself were to be adopted it would relieve the Government from the necessity of lending much of the money that it will have to lend under the operation of the bill if the amendment is not adopted. In short, our amendment will help the measure, not hurt it.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. COPELAND. Certainly.

Mr. BARKLEY. In other words, the money would be furnished by the Government anyway, but it would come out of a different spigot.

Mr. COPELAND. It does not make any difference out of which spigot it comes, it comes out of the Government Treasury anyhow. Money is just as likely to be lost under the pending bill as under the amendment which we have proposed. Could the Senator from Kentucky rise in his place and guarantee that the money raised under the bill would ever be returned 100 percent to the Government?

Mr. BARKLEY. Of course, not; any more than I can guarantee that I will be able to pay the notes that I owe or

the notes that anybody else owes. No one can guarantee such a thing. However, I believe there will be a minimum of loss with respect to the loans under both sections of the bill we are now considering, a much smaller loss than under any other loans that have been made by the Government of the United States during the last 2 or 3 years.

Mr. COPELAND. Without any disrespect to the Senator from Kentucky I confess that I have greater confidence in the ability of the Government of the United States to pay its obligations than I have in the ability of any Senator to meet his obligations.

Mr. BARKLEY. I am perfectly willing to accept the observation; but it is not a question of passing on the responsibility of any Member or Members of this body or anyone outside of this body. The point is that under the bill which we are now considering we are providing a safeguard, so far as safeguards may be provided, for loans to industry. The proposal of the Senator covers an entirely different field. It has no connection with the proposal contained in the bill, except the possibility that under his amendment some industry might be able to get money out of a bank that is now tied up, and therefore might not have to borrow money; but in order to get it out of the bank even under his amendment, the Government of the United States has to put up the money.

Mr. COPELAND. Mr. President, the Senator talks about "safeguards"; exactly the same safeguards are attaching to the pending amendment as to the bill itself.

Under the pending amendment, the assets of a bank could be appraised and dealt with, not as assets to be liquidated tomorrow or next week but assets which may be liquidated next year, or the year after. It is not proposed that the Government shall give money to these banks. It is not proposed that the Government shall reimburse depositors in these banks, except so far as reimbursement shall come from the orderly liquidation of the assets in the possession of the banks.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. BARKLEY. It is proposed, however, to advance money to banks over which the Government of the United States has never had any supervision, and has none now; with reference to deposits in which the United States Government never has held out any inducement to the public; to whom the Government of the United States owes no legal or moral obligation. They may be assets of an entirely different nature from those that are in banks supervised by the United States.

In view of the fact that the Government of the United States has never exercised any control over State banks, and that national-bank examiners have never gone into them, does the Senator think that the Government is under any obligation to include them in a general omnibus provision that all banks, trust companies, and savings banks shall be allowed to put up their assets, come to the Treasury, and get money? Does the Senator believe that that is as important as it is now to save industries which are right on the ragged edge, and which, if given credit, can save themselves?

Mr. COPELAND. Mr. President, the Senator from Kentucky would make exactly the same argument if we were to limit the amendment to the national banks; and he is proposing to lend to industry, to establishments in which we have no interest, direct or indirect, except so far as giving employment may be concerned. The Senator splits hairs.

Mr. BARKLEY. That is the main object—

Mr. COPELAND. I am not going to yield to the Senator simply to bandy words. I am here for a serious purpose, just as serious as that of the Senator from Kentucky, to try to relieve distress and to try to put money into circulation, and thereby to restore prosperity so far as it can be done in that way. I have just as sincere a purpose in my heart as that in the heart of the Senator from Kentucky.

Mr. President, it is not at all a question of whether there is an obligation upon the Federal Treasury to deal with the assets of these State banks. There is not any obligation



upon the Federal Treasury to give work to those who are out of employment. There is no obligation upon the Federal Treasury to put destitute artists at work. There is no direct obligation to do hundreds of things that we have been doing. There is no obligation upon the Federal Treasury to make loans to agriculture. There is no obligation upon the Federal Treasury to make many other loans that we have made. But if we can lend money under proper safeguards upon the assets of closed banks—assets which are capable of slow liquidation, but 100 percent liquidation—we shall put that much money into circulation at once, and have money to do many of the things which will be done by the Federal Government under the terms of the pending bill.

I realize, Mr. President, that we are up against a stone wall. An effort is made to becloud the issue by trying to make it appear that we are proposing here the same thing which the McLeod bill proposes in the House. We have pointed at us the gun of a possible veto. Is that the way to legislate, Senators? Is it not our constitutional duty to use our very best efforts as legislators to do those things which we believe make for the prosperity of our country and for the common welfare? Are we to be turned aside simply because somebody dreams that if we do thus and so there will be an executive veto?

Mr. DILL. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Washington?

Mr. COPELAND. I do.

Mr. DILL. I am not concerned about whether or not the President will veto a bill. I am concerned about the wisdom, about the justice, about the fairness of imposing on the Treasury a burden of large amounts, that must be met by taxing all the citizens, because of the incompetency in some cases, the downright fraud and criminality in other cases, of those who had charge of banks.

Mr. COPELAND. Did the Senator question the propriety of lending money to the railroads, or lending money to great, big banks?

Mr. DILL. I should be opposed to lending it without any chance of getting it back except by taxing the taxpayers.

Mr. COPELAND. Does the Senator believe that that is what the Senator from Michigan and I are trying to do?

Mr. DILL. I do not see how this bill can be carried out without a certain loss to the Treasury; and that loss must be made up by taxing all the people to make up for the bad deposits of certain people.

Mr. COPELAND. I am not discussing the bill. I am discussing an amendment; and the amendment proposes that the assets shall be appraised, by whom? By the lending agency.

Mr. FESS. Mr. President—

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Ohio?

Mr. COPELAND. I do.

Mr. FESS. The proposition to release funds that are in closed banks has a great appeal; first, because without doubt it would be more widely applicable to conditions from which many people are suffering than most of the amendments that have been suggested, if it is a proper function for the Government to participate in this sort of thing. I have been afraid of that, and I have so stated to those interested who consulted me about it. Furthermore, if this is a proper function of the Government, will not the Senator agree that it would have to apply to loan associations just the same as to closed banks?

Mr. COPELAND. Let me say to my friend from Ohio that we will suppose there is a bank at Akron that has a million dollars' worth of good assets. It is proposed to take the assets which are conservatively appraised as being possible of liquidation over a period of a year or 2 or 3 years—not worthless assets, not things that are "cats and dogs", not things that should be thrown out of the window—but instead of taking them and appraising them at their current value to appraise them at a liquidating value when that liquidation extends over a longer period of time than is customary in ordinary bank practice.

The reason there is so much confusion here—because so many Senators believe, as the Senator from Ohio believes, that we are trying to present here the McLeod bill. That is not the case.

Mr. FESS. No; I understand that. There is, however, inevitable loss to the Government in this proposal, is there not?

Mr. COPELAND. I do not think so.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. ROBINSON of Arkansas. The amendment now pending, of which there are no printed copies, is as follows:

The Corporation shall loan, in its discretion, 100 percent of the fair estimated liquidating value of the assets tendered as security for such loans, and shall charge interest thereon at a rate not to exceed 3½ percent per annum.

Mr. President, who ever heard of loaning 100 percent of the estimated value of any security? Manifestly, it is not intended as an ordinary loan. It is intended to secure funds only a part of which can be realized from the assets. I never knew of a case in which 100 percent was loaned on the estimated value of the security, especially security of this character, in which all of it was collected.

Mr. BARKLEY. Mr. President, will the Senator yield there?

Mr. ROBINSON of Arkansas. I have not the floor. The Senator from New York was good enough to yield to me.

Mr. BARKLEY. It is impossible for anyone to go down to a bank now and take securities that are liquid and that might be sold tomorrow and borrow 100 percent on them.

Mr. ROBINSON of Arkansas. There is no discretion as to the amount that must be loaned. After the estimated value is ascertained, 100 percent of it must be loaned.

Mr. DILL. The liquidating value?

Mr. ROBINSON of Arkansas. Yes; the Senator from Washington calls my attention to the fact that it is the liquidating value, whatever that may be.

Mr. BARKLEY. Which would not be as great as the normal value.

Mr. ROBINSON of Arkansas. Oh, no; certainly not.

Mr. GLASS. Mr. President, not only that, if I may interrupt—

Mr. COPELAND. Go ahead. The floor means nothing to me.

Mr. GLASS. The Government has not been able to borrow money at 3½ percent itself; and if we keep on at the rate of our expenditures, the Government may not be able to borrow money at 4½ percent; and therefore the Government would lose money on every transaction.

Mr. ROBINSON of Arkansas. Yes; and evidently that is the purpose of the amendment—to give the closed banks the benefit of a liability on the part of the Government upon which the Government itself could not realize.

Mr. BORAH. Mr. President, I am inclined to agree with the proposition that there would be loss under this amendment, but I am equally certain that if those are assisted who need assistance, there will be loss under the bill.

Mr. COPELAND. Mr. President, if the Government body or agency or official were to go into a bank and say, "This group of securities we regard as good enough to justify us in lending you 75 percent of their value", if they had not been appraised with some degree of accuracy and reliability and dependability, it would be bad business to lend anything whatever upon them. If the loan is "rotten", as has been said, at 100 percent, then it is 75-percent rotten at 75 percent; it is not good business to lend upon securities appraised by the experts at materially less than the proposed loan rate, it makes no difference whether the loan is 50 percent of the appraised value or 100 percent. So I think we are splitting hairs when we talk about that.

On the other hand, in this day we are spending millions, even billions, of the people's money, with no regard whatever to the return of that money. Certainly when we put money into the C.W.A. we never expected to get any of it back; very much of the money we have loaned through the Public Works Administration we will never get back; much

of the money we will lend under the pending bill we will never see again. There is no hope or expectation that there will be 100-percent return upon any of these investments of the Government.

What is there that makes the depositor in the bank anathema? Why do we consider that his equity, and the security which is back of it, shall be disregarded when we give millions and billions for other purposes?

Mr. President, I do not delude myself one bit. I know that the fear of the substitution at the other end of the Capitol of a more radical measure will influence some, and the prospects of a veto will influence others; but, I say in all respect, those fears mean nothing to me. I can see no impropriety, I can see nothing that can be regarded as bad business, I can see nothing that is unstatesmanlike, in making available to the depositors in the hundreds of closed banks of the United States some measure of return of the life savings which they have placed there.

The amendment presented by the Senator from Michigan and myself has safeguarded the Government as far as may be. We have asked that the assets be appraised, and when they have been appraised and found deserving of a loan, that the loan shall be 100 percent instead of 50, or 60, or 75, or 80 percent. Then, if a loss comes, if the appraisal has been 80 percent, there will be a loss of 80 percent; if the appraisal is 100 percent, there will be a loss of 100 percent.

Mr. President, I shall not go further into the matter. I would not do one thing to embarrass the pending bill. We need to have these long-term loans to industry. The heavy industries cannot hope to operate without working capital, which they cannot get from the banks. Therefore, I am willing to hazard some more of the money of Uncle Sam and shall vote for the measure. We have not hesitated to hazard a lot of his money, we have not hesitated to put a lot of it where it is extremely probable it will never come back, but I do think that we ought to give this much consideration to the depositors in the closed banks of this country. Therefore I hope the amendment which the Senator from Michigan and I have proposed may be agreed to.

Mr. VANDENBERG. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Coolidge	Hatfield	Patterson
Ashurst	Copeland	Hayden	Robinson, Ark.
Austin	Costigan	Hebert	Robinson, Ind.
Bachman	Couzens	Johnson	Schall
Bailey	Davis	Kean	Shipstead
Barbour	Dickinson	King	Stelwer
Barkley	Dill	Lewis	Stephens
Black	Erickson	Logan	Thomas, Okla.
Bone	Fess	Loneragan	Thomas, Utah
Borah	Fletcher	McCarran	Thompson
Bulkley	Frazier	McGill	Townsend
Bulow	George	McKellar	Tydings
Byrd	Gibson	McNary	Vandenberg
Byrnes	Glass	Metcalf	Van Nuys
Capper	Goldsborough	Murphy	Walsh
Carey	Hale	Norris	Wheeler
Clark	Harrison	O'Mahoney	White
Connally	Hatch	Overton	

Mr. LEWIS. Mr. President, I desire to reannounce on this roll call the absence of the Senators whose absence has heretofore been announced by me.

The PRESIDING OFFICER. Seventy-one Senators having answered to their names, there is a quorum present.

Mr. COUZENS. Mr. President, I wish to say a few words in behalf of the amendment proposed by the Senator from New York [Mr. COPELAND] and my colleague [Mr. VANDENBERG]. I do so because I have been a consistent and vigorous defender of the Treasury Department. Every measure which has come before the Committee on Banking and Currency which, in my judgment, would be injurious to the Government credit, or would entail losses to the Government, I have vigorously opposed. I think the distinguished chairman of the committee, the Senator from Florida [Mr. FLETCHER] will recall that over a period of years I have opposed industrial loans from the Government unless pro-

vision were made for limited loans on what we believed to be adequate security.

The distinguished Senator from Virginia [Mr. GLASS] and the distinguished Senator from Kentucky [Mr. BARKLEY] have argued that the amendment is inconsistent with the bill which is now pending as it has been amended. It is true that the committee as such has not dealt with this problem, but the committee does know emphatically the needs of industry, and even the conservative distinguished Senator from Virginia and myself joined in reporting the measure added to the pending bill, which would authorize the R.F.C. to make industrial loans.

Mr. President, I happen to have a list of 1,100 depositors in one large closed bank. The release of some of that money, with the Government adequately secured, would obviate the necessity of some of the industrial loans provided under the Glass bill and the amendment offered by the Senator from Florida. These two amendments belong to the same piece of legislation. In other words, I would rather that the depositor, the industrialist, get his own money out of a closed bank and use it himself for the development of his industry than to have him go to the R.F.C. and borrow money on what seems in many cases to be inadequate, at least doubtful, security.

Mr. FLETCHER. Mr. President, will the Senator yield?

Mr. COUZENS. I yield.

Mr. FLETCHER. I should like to ask the Senator whether in the case of the particular closed bank to which he refers, R.F.C. loans have not been made to it.

Mr. COUZENS. That is true. I do not deny that; but I state that there has been an undue hesitancy upon the part of some of the receivers or liquidators or conservators of these banks, on the theory that it costs too much in interest. The Senator from Florida knows that I have, under his jurisdiction, made some inquiries into the loans made by the R.F.C. during the closing months of the last year. The Senate also will remember that I was chairman of a committee which was authorized to make an investigation of the R.F.C. loans, and in the early part of 1933 the committee made a report in which we said we could not find any illegal or improper loans.

When it comes to a question of judgment as to whether the loans are adequately secured, one person's judgment is as good as that of another during these periods of distress.

There is nothing mandatory about this provision, and there is no danger of the credit of the Government being broken, as suggested by some of the Senators, because there is nothing in the amendment which increases the loaning power of the R.F.C. The law already provides the limit which the R.F.C. may lend. The only difference between existing law and the amendment is that the amendment expresses to the Board of Directors of the R.F.C. the opinion of Congress that they ought to be more liberal in their loans. I can verify the fact that they have not been any too liberal up to date.

I am not finding fault. I know that they are lending the Government's credit at least, if not its money; and I have insisted that, so far as humanly possible, the Government be adequately protected. This amendment, I believe, does provide adequate security for any loan the Reconstruction Finance Corporation may make to any bank after this time.

Mr. WALSH. Mr. President, will the Senator from Michigan read that feature of the amendment?

Mr. COUZENS. It reads as follows:

Notwithstanding any other provisions of law with respect to loans as aforesaid to receivers or liquidating agents for banks and savings banks that closed since January 1, 1933, and are in process of liquidation, the Corporation shall loan, in its discretion, 100 percent of the fair estimated liquidating value—

I submit that when we broaden the language the sole discretion is with them, not only as to whether they shall make the loans at all but as to fixing the fair estimated liquidating value; and if I were a director of the Reconstruction Finance Corporation, I should certainly see that the Government was protected, either by refusing the loan



at all or by seeing that the fair estimated liquidating value did not unduly hazard the Government's credit.

Mr. BORAH. Mr. President, do I understand that if the Reconstruction Finance Corporation should estimate the value of these securities, it would still have discretion as to whether or not it would make the loan?

Mr. COUZENS. Absolutely.

Mr. BORAH. I should want to have the provision more mandatory than that.

Mr. COUZENS. It cannot be made any more mandatory, because, if it were made more mandatory, its purpose would be defeated. Whenever the board of directors of the Reconstruction Finance Corporation are told, "You must make a loan", and it is left discretionary with them to fix the value, and they are determined in advance not to make the loan, they will fix the value so low that no relief at all can be given.

Mr. BORAH. That is very likely true; but on the other hand, they will not make any of these loans, in my judgment, under the pending amendment.

Mr. COUZENS. It absolutely is discretionary, no matter how the amendment is worded, because so long as it is left to the judicial judgment of the board of directors of the R.F.C. they can do as they choose in the matter.

Mr. BORAH. It seems to me, Mr. President, that the defect of the bill and of the amendment is that those who really need help, the small industries of the country, will not get it.

Mr. COUZENS. I do not know whether the Senator is familiar with this subject or not, but I know that the Senator apparently injects himself into a subject which he has not thoroughly analyzed. I happen to have studied this subject for a period of years. I see the Senator's name blazoned in the headlines of the newspapers as endorsing the infamous McLeod bill. I do not know how accurate the newspapers are in making that statement; but anyone who is so lacking in judgment as to endorse the so-called "McLeod bill" is not entitled, in my judgment, to vote on the floor of the Senate.

Mr. BORAH. Mr. President, I asked the Senator a civil question.

Mr. COUZENS. Yes; and I am answering the civil question; but the Senator attacks my premises, and I have a right to argue with him.

Mr. BORAH. Certainly the Senator has; but what I am saying is that under the terms of this bill, the question of making the loan being left entirely discretionary with the R.F.C., it does not seem to me that the small businesses of the country, those which really need help, are likely to get help. If the Senator thinks otherwise, I shall be delighted to have his views.

Mr. COUZENS. As I said before the Senator interrupted me, under the bill introduced by the Senator from Virginia [Mr. GLASS], and under the amendment proposed by the Senator from Florida [Mr. FLETCHER], it is discretionary with the R.F.C. as to whether or not it will loan these concerns any money at all. It is wholly discretionary with the Corporation as to whether the credit is adequate. I said that I preferred to have a depositor get his money out of a closed bank with reasonable security to the Government, rather than to loan the money direct on his plant or other security. In other words, as I stated, I looked over 1,100 deposits, many of the owners of which could have continued their industries and could have augmented their employment if they had been able to obtain a reasonable amount of their so-called "frozen deposits." This is just a sort of yardstick, a measurement, conveyed by the Congress to the board of directors of the R.F.C. as to what we hope they will do. That is all we have ever done in connection with any similar legislation enacted by Congress.

Mr. BORAH. Without this amendment they could make these loans just the same.

Mr. COUZENS. Oh, yes; but the provisions of law so far have used the language "adequately secured", without fixing any yardstick as to how the securities shall be

evaluated. This is the first time any provision of law has been suggested which sets a yardstick to guide the R.F.C. in fixing values, and that is the only reason why I am for it. I agree with the Senator from Idaho that under all the provisions of the law up to date substantially this could have been done. However, in this amendment we propose to set up a yardstick to measure the judgment of the R.F.C.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. COUZENS. I yield.

Mr. WALSH. May I ask the Senator how he understands this amendment would operate? Would a receiver of a closed bank bring his assets to the R.F.C. and have them make an appraisal of those assets; and when they find the total value of the assets are they authorized to make a loan of that amount, or are they authorized to pay over to the receiver that amount and take over the assets themselves?

Mr. COUZENS. That is exactly what it provides.

Mr. WALSH. So that there is discretion in the R.F.C. in determining what is the total value of all the assets of a closed bank?

Mr. COUZENS. It does not necessarily say the entire assets of a closed bank. It says that it may loan 100 percent of the "fair estimated liquidating value."

Mr. WALSH. The complaint which is made now is that they have only been lending 50 or 60 percent, more or less, of the fair value.

Mr. COUZENS. In other words—and I have supported them generally in their attitude—they have been taking every measure to protect the Government's credit and the Government's or the taxpayer's money.

Mr. WALSH. I should like to ask the Senator a further question. Under this amendment, are the assets actually transferred to the Reconstruction Finance Corporation, or are they held as a lien?

Mr. COUZENS. They are actually deposited in one of the Federal Reserve banks, as a rule, as agent for the R.F.C. In other words, the R.F.C. retains the collateral as security for the loan.

Mr. WALSH. Would the R.F.C. perform the duty of liquidating by selling these assets from time to time?

Mr. COUZENS. That is not usually the case if a bank is still in liquidation. If a bank winds up its affairs and its debts are discharged, as in the case of one or two banks of which I know, the R.F.C. does the liquidating; but this proposal does not set up any means by which the liquidation of the assets shall be made, whether by the R.F.C. or by the conservator or by the receiver or by the liquidator of a closed bank. It would depend on the circumstances.

Mr. WALSH. The important feature of the amendment is that the R.F.C. will loan to the amount of 100 percent of the assets as they may determine and according to the liquidating value they may fix.

Mr. COUZENS. Yes; and the only difference I want to point out to the Senator from Massachusetts is that in no previous legislation have we set up any yardstick to fix the value. In this particular amendment—and that is one of the reasons I am supporting it—we say, "After you have fixed the 'fair estimated liquidating value', you are then permitted to loan up to 100 percent."

Mr. WALSH. Does not the Senator think that the words "liquidating value" give a great deal of latitude in fixing the loan to the board?

Mr. COUZENS. Yes; and I want them to have latitude.

Mr. WALSH. I know the Senator does. I thank him for permitting me to interrupt him.

Mr. COUZENS. So that there are many things which, under this provision, the R.F.C. could do which I do not think they are now inclined to do, because the Congress has never heretofore directed them as to how they should measure or value such assets.

When it comes to the McLeod bill, so called, I want to say that I have written thousands of letters and made thousands of statements in opposition to any such absurd proposal as

paying out 100 percent to all the depositors, regardless of the value of the assets of the banks.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Wyoming?

Mr. COUZENS. I yield.

Mr. O'MAHONEY. May I ask whether the amendment proposed fixes any date as of which the liquidating value may be determined?

Mr. COUZENS. Oh, I assume that it would be as of the time of the application. It may not be for a year or it may be at the time the application would be made, at which time the board of directors of the R.F.C. would fix the liquidating value.

Mr. O'MAHONEY. Of course there would necessarily be some date fixed as of which the estimated liquidating value should be determined, for the liquidating value might be considerably less at the time of the application than 6 months or a year thereafter.

Mr. COUZENS. The amendment does not provide any time within which the value shall be fixed. I assume that the fair liquidating value cannot be fixed at any other time than the time when the loan is being considered.

Mr. O'MAHONEY. And under the amendment it is within the scope of the authority of the Reconstruction Finance Corporation to determine whether or not a loan shall be made and what estimate shall be placed upon the value of the assets?

Mr. COUZENS. That is quite true. I may say further that the appraisers or the board of directors of the R.F.C. in making a loan may estimate the value of the assets 2 or 3 years hence, dependent upon the maturity of the loan. I think that is probably what the Senator was getting at, and which I did not quite comprehend at the time.

Mr. O'MAHONEY. That is exactly it; but there is nothing in the amendment to direct the Reconstruction Finance Corporation that it may do so; that is to say, estimate the value as of some future date.

Mr. COUZENS. I think the amendment speaks for itself, because it says "the fair liquidating value." So I assume that an intelligent interpretation would mean that the time when the loan came due could be taken into consideration in estimating the fair liquidating value.

Mr. O'MAHONEY. I assume that the whole purpose is to enable the receiver to pay off the depositors?

Mr. COUZENS. Yes; so far as possible and without any risk to the Government.

Mr. O'MAHONEY. So that under the amendment, as it is drawn, it could be effective or ineffective, just as the board might decide in fixing the values.

Mr. COUZENS. There is another qualification as to that, because the receivers of a national bank are unable to make applications for a loan without the consent of the Comptroller of the Currency; so that if the Comptroller of the Currency decided that he did not want any loans made under this amendment he could prohibit the receiver from making application.

Mr. GLASS. Mr. President, what becomes of a yardstick that may be reduced one half in, say, a period of 3 years?

Mr. COUZENS. The same thing may happen when one buys a piece of real estate or a bond which may be reduced by 50 percent in time if the situation so develops.

Mr. GLASS. I understand that; but that is not the way banking business is conducted.

Mr. COUZENS. It is the way it has been conducted.

Mr. GLASS. Nobody makes a loan of 100 percent on the value of real estate, a loan which may run for 3 or 5 years. Nobody, certainly, makes a 100-percent loan at the low rate of interest of 3 percent when the Government of the United States finds itself unable to borrow money at 3 percent.

Mr. COUZENS. The Senator overlooks the fact that we have raised the rate in the amendment to  $3\frac{1}{2}$  percent.

Mr. GLASS. Very well;  $3\frac{1}{2}$  percent.

Mr. COUZENS. I would be just as satisfied with 4 percent. As I said at the beginning of my statement, I do not want the Government to lose a nickel, and I do not

propose to endorse any legislation by which the Government will lose a nickel, either in the matter of interest or the matter of security.

Mr. GLASS. I call the Senator's attention to the fact that he says he has written thousands of letters against the McLeod bill.

Mr. COUZENS. Yes.

Mr. GLASS. And he pronounced an extremely harsh judgment upon any Senator who would favor the McLeod bill.

Mr. COUZENS. Yes.

Mr. GLASS. He went so far as to say that a Senator was unworthy of a seat in this Chamber if he favored the McLeod bill. Yet the Senator from Michigan is supporting an amendment to this bill which not only conceivably but, in my judgment, will inevitably disturb the parliamentary situation in another branch of the Congress and enable them to attach the McLeod bill to this bill.

Mr. COUZENS. Let me say to the Senator that no conference report can be adopted until the Senate agrees to it.

Mr. GLASS. And that would mean that the thousands of small industries in this country, for which in this bill we are providing a capital fund of more than a half billion dollars, would be denied this form of assistance; and the banks of the country, for which we are providing a great liberalization in connection with the eligibility of rediscountable paper, would be unable for a moment to afford any assistance to small struggling industries.

Mr. COUZENS. Oh, the Senator overlooks the fact that he has defended over and over again here his own act by which the Federal Reserve banks have been equipped and enabled to lend money to industries direct for over a period of years; and yet the Federal Reserve banks have made no loans under that provision of the law; and I doubt whether they will make any loans under the so-called "new Glass bill."

Mr. WALSH. Mr. President—

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Massachusetts?

Mr. COUZENS. I yield.

Mr. WALSH. I should like to inquire of the Senator if the language "liquidating value" does not permit the Reconstruction Finance Corporation to take into consideration all the elements of uncertainty which the able Senator from Virginia has mentioned?

Mr. COUZENS. I am quite convinced of that, or I should not be supporting this amendment. I am not up for election; I am not supporting this bill in order to get votes, because otherwise I would be supporting the so-called "McLeod bill"; but this is a provision which not only helps the bill proposed by the Senator from Virginia and the proposal of the Senator from Florida, but it assists them, because it augments and releases money for industries which the Senators referred to want to help.

Mr. GLASS. It does not only not assist them—

The PRESIDING OFFICER (Mr. CLARK in the chair). Does the Senator from Michigan yield to the Senator from Virginia?

Mr. COUZENS. I yield.

Mr. GLASS. It does not only not assist them, but it actually jeopardizes the bill itself and threatens all struggling industries with an actual inability to make any loans under the bill which we propose.

Mr. COUZENS. Of course, I disagree with the Senator from Virginia in that respect, because—

Mr. GLASS. That is what I am standing up for; to disagree with the Senator from Michigan.

Mr. COUZENS. I recognize that. I want to point out—

Mr. GLASS. Not only that, but let me point this out to the Senator—

Mr. COUZENS. Let me do my pointing out first.

Mr. GLASS. Certainly.

Mr. COUZENS. My colleague, when he proposed this amendment in cooperation with the Senator from New York [Mr. COPELAND], stated that if the President should notify the conferees that this proposal was out of harmony



with his financial program or that he resisted this amendment, so far as he was concerned, he would be glad to have the conferees yield on the amendment.

Mr. GLASS. Oh, yes.

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Virginia?

Mr. COUZENS. Yes.

Mr. GLASS. Assuming, which I do not assume, that the President would approve this amendment, there might be attached to the bill in the other House an amendment which the President would inevitably veto. Then we would have no bill at all; we would have no relief for struggling small industries in this country at all; we would have no liberalization in the case of the member banks of eligible paper which might be rediscounted at the Federal Reserve banks. We have criticized—and nobody more bitterly than I—the failure of the member banks to finance and to make loans; yet I realize that they also have their viewpoint. But they are not authorized to make the character of loans provided under the pending bill; and this bill would make them more willing, if not more anxious, to make loans, because they could rediscount at the Federal Reserve banks. The Federal Reserve banks now are doing nothing in the world but financing the Government of the United States. They are not financing business; they are buying United States bonds. They have scarcely got \$300,000,000 of eligible commercial paper in their portfolios. Now we are trying to liberalize the definition of eligible paper so that member banks may make these loans with the assurance that they can go to the Federal Reserve banks and rediscount them for a period of 3 years, and yet the effort is being made to load it up with something that might, that will, inevitably endanger the whole measure.

Mr. COUZENS. The Senator, of course, is entitled to his own opinion, and so am I; but if I recognize the situation in the other body which the Senator fears so much, the Banking and Currency Committee in the House has blocked consideration of the so-called "McLeod bill", and, in that event, they would not, of course, consent to a modification or change in the provision.

Mr. GLASS. But it would come on the floor of the House. The Banking and Currency Committee would not have anything to do with it if it should come on the floor of the House as an amendment.

Mr. COUZENS. They do not always, under the rules of the House, if I understand them, give a chance for the offering of such amendments on the floor.

Mr. GLASS. The Senator is assuming a great deal with respect to the House.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Michigan [Mr. VANDENBERG] on behalf of himself and the Senator from New York [Mr. COPELAND].

Mr. VANDENBERG. I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. PATTERSON (when his name was called). I have a general pair with the junior Senator from New York [Mr. WAGNER], who is necessarily absent. Therefore I withhold my vote.

The roll call was concluded.

Mr. ROBINSON of Arkansas. I transfer my general pair with the senior Senator from Pennsylvania [Mr. REED] to the junior Senator from Illinois [Mr. DIETERICH] and vote "nay."

Mr. LEWIS. I reannounce the absences of the several Senators whose absences I have heretofore announced, and the reasons therefor.

I announce the necessary absence of my colleague the junior Senator from Illinois [Mr. DIETERICH], whose pair with the Senator from Arkansas [Mr. ROBINSON] has just been announced.

Mr. BONE. I beg to announce the necessary absence of the Senator from West Virginia [Mr. NEELY] on official business and to advise that, were he present, he would vote "yea."

Mr. BULOW (after having voted in the negative). On this vote I have a pair with the senior Senator from Wisconsin [Mr. LA FOLLETTE]. I transfer that pair to the senior Senator from Nevada [Mr. PITTMAN] and let my vote stand.

Mr. LEWIS. I desire to announce the following general pairs:

The Senator from Georgia [Mr. RUSSELL] with the Senator from New Mexico [Mr. CUTTING];

The Senator from Texas [Mr. SHEPPARD] with the Senator from Delaware [Mr. HASTINGS];

The Senator from California [Mr. McADOO] with the Senator from Connecticut [Mr. WALCOTT]; and

The junior Senator from New Hampshire [Mr. BROWN] with the senior Senator from New Hampshire [Mr. KEYES].

I also desire to announce the special pair of the Senator from Oklahoma [Mr. GORE] with the Senator from North Dakota [Mr. NYE]. If present the Senator from Oklahoma [Mr. GORE] would vote "nay" and the Senator from North Dakota [Mr. NYE] would vote "yea."

I also wish to announce that the Senator from Wisconsin [Mr. DUFFY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Arkansas [Mrs. CARAWAY], the Senator from Idaho [Mr. POPE], and the Senator from North Carolina [Mr. REYNOLDS] are necessarily absent on official business.

Mr. HEBERT. I desire to announce that the following-named Senators are necessarily detained from the Senate: The Senator from New Mexico [Mr. CUTTING], the Senator from Delaware [Mr. HASTINGS], the Senator from New Hampshire [Mr. KEYES], the Senator from Wisconsin [Mr. LA FOLLETTE], the Senator from South Dakota [Mr. NORBECK], the Senator from North Dakota [Mr. NYE], the Senator from Pennsylvania [Mr. REED], and the Senator from Connecticut [Mr. WALCOTT].

The result was announced—yeas 34, nays 36, as follows:

#### YEAS—34

Ashurst	Erickson	Kean	Stephens
Austin	Frazier	McCarran	Thomas, Okla.
Barbour	Gibson	McNary	Thomas, Utah
Bone	Goldsborough	Murphy	Vandenberg
Carey	Hale	Norris	Walsh
Copeland	Hatfield	Robinson, Ind.	Wheeler
Costigan	Hayden	Schall	White
Couzens	Hebert	Shipstead	
Davis	Johnson	Steiwer	

#### NAYS—36

Adams	Byrnes	George	McKellar
Bachman	Capper	Glass	Metcalf
Bailey	Clark	Harrison	O'Mahoney
Barkley	Connally	Hatch	Overton
Black	Coolidge	King	Robinson, Ark.
Borah	Dickinson	Lewis	Thompson
Bulkeley	Dill	Logan	Townsend
Bulow	Fess	Loneragan	Tydings
Byrd	Fletcher	McGill	Van Nuys

#### NOT VOTING—26

Bankhead	Hastings	Nye	Sheppard
Brown	Keyes	Patterson	Smith
Caraway	La Follette	Pittman	Trammell
Cutting	Long	Pope	Wagner
Dieterich	McAdoo	Reed	Walcott
Duffy	Neely	Reynolds	
Gore	Norbeck	Russell	

So Mr. VANDENBERG's amendment was rejected.

Mr. THOMAS of Utah. Mr. President, I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. It is proposed, on page 9, after line 6, to insert the following new section:

SEC. —. Section 12 (B) of the Federal Reserve Act is hereby amended by inserting in the first sentence of the second paragraph of subsection (y), immediately after the words "District of Columbia", the following: "And the Territory of Hawaii."

Mr. THOMAS of Utah. Mr. President, the purpose of the amendment is merely to give to the Territory of Hawaii the benefits of the temporary legislation.

Mr. GLASS. Mr. President, I see no objection to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Utah.

The amendment was agreed to.

Mr. BLACK. Mr. President, I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. It is proposed to insert in the bill, at the proper place, the following:

*Provided, That it shall be unlawful for any Federal, State, county, or municipal official, any member of any National, State, or county committee of any political party, or any other person except a bona fide and regularly employed officer, agent, or employee of the person or corporation seeking a loan under the provisions of this section, to seek to influence in any way any agent, officer, or employee of the Reconstruction Finance Corporation in connection with a loan or any application therefor, under the provisions of this section, and if such unlawful influence is used, the person or corporation seeking such loan shall be disqualified.*

Mr. BARKLEY. Mr. President, it was impossible to get the full import of the amendment from hearing it read. Is this the amendment which would make it impossible for any Member of the House or the Senate to call up any member of any of these boards and make an appointment for a constituent to go down and talk to him about a loan?

Mr. BLACK. I shall be very glad to explain the amendment. It would make it illegal for anyone, whether he be a Senator or a Representative or anyone else, to seek to exercise political influence to secure a loan from the United States Government. That is the object and purpose of the amendment.

We are proposing here a new departure. We have advanced now to the stage which many of us predicted we would reach when the Reconstruction Finance Corporation bill first came up, where it is proposed to loan to private industry out of the taxpayers' money. Of course we are providing only about \$250,000,000 out of the Reconstruction Finance Corporation fund. My own prediction is that we shall have applications for about \$40,000,000,000.

Someone must decide who shall get these loans. I believe that if the Government, through the Reconstruction Finance Corporation, is to go into the business of lending money to private industry, it should do so wholly free from any influence except a careful study on the part of the Reconstruction Finance Corporation of the merits of the applicant.

Speaking in reply to my friend from Kentucky, I do not believe that it is, or should be, the business of any Senator or any Representative or any national committeeman or any public official to seek to exercise any political influence in an effort to have a loan granted to an applicant.

That is the purpose of the amendment. If it is our desire to have Government loans made by the Reconstruction Finance Corporation on the basis of political influence rather than on the basis of merit, of course the amendment should not be adopted. If, on the contrary, in lending the money of the American taxpayers to the industrial activities of the Nation, we propose to have it loaned on the merit of the applicant rather than on the request of a Senator or a Representative or a national committeeman or any other influential man in politics or business, the amendment should be adopted.

That is the entire object of the amendment. Does that answer the question of the Senator from Kentucky?

Mr. BARKLEY. I will take the floor after the Senator from Alabama shall have concluded his remarks.

Mr. BLACK. I shall not make any further remarks at this time. If there shall be any objection to the amendment, I shall desire the privilege of the floor again. I did not anticipate that there would be any objection to it.

Mr. BARKLEY. Mr. President, I realize the good faith of the Senator from Alabama [Mr. BLACK] in proposing this amendment. Of course, what the amendment really does, in effect—and that is probably its purpose—is to furnish Members of Congress an alibi to explain to their constituents why they cannot take up matters before a department that has to do with a loan or accommodation under the terms of this measure.

If this amendment shall be adopted, it will make it necessary for everybody who makes an application for a loan to

employ a lawyer. If this amendment shall be adopted, it will be unlawful for me to call up any member of the Reconstruction Finance Corporation and make an appointment for a constituent of mine to go down there and talk about a loan for fear I shall be accused of using political influence. This amendment would be a fine thing for the lawyers in Washington; but there are many industries and many institutions in the country that are on the ragged edge and have not the money to come here and employ high-priced lawyers to recommend them before the Reconstruction Finance Corporation, or before a Federal Reserve bank. The amendment includes all the Federal Reserve banks, and all the member banks, and all the agencies of the Reconstruction Finance Corporation, and the Reconstruction Finance Corporation itself.

I am not so afraid of any influence that I have over anybody in Washington that I am unwilling to call up over the telephone, or even take a constituent of mine down there and introduce him, if he has a public matter that he desires to confer about before one of these boards. I am not so suspicious of myself or of my constituents that I am afraid somebody will say that I am going to get a fee if I take a constituent down here and introduce him or bring him in contact with somebody in the Reconstruction Finance Corporation or in some board before which he has pending an application for a loan. Any Senator who does not want to do that has a perfect right to refuse to do it; but I have been called on, as I have no doubt every other Senator here has been called on, by constituents who do not know anybody in Washington, who have no acquaintance here, who are unable to employ lawyers, who do not know anybody except us, and they do not think there is any impropriety in asking us to present them, and if necessary even to file with one of these boards a statement they might send us and ask that it be given proper consideration. If this amendment is agreed to, we cannot even do that without making ourselves liable to the suspicion that we are trying to exercise some political influence in order to get a loan for somebody out of the Treasury of the United States.

I do not see any need for this amendment. It seems to me that within its terms it casts a suspicion on everybody in Congress who might be willing to aid a constituent or a friend or an applicant to get his matter considered before one of these boards. We have done that in connection with all these activities. We have made arrangements for our constituents, for mayors of cities, and even for Governors of States, to talk to the Secretary of the Interior, Mr. Ickes, about public projects in their towns and in their States. We have sometimes accompanied honest men—men who have been elected by the people, Governors or mayors or county officials—to see the men who have charge of the Public Works program in order that they might present their claims to these public officials, not to exercise political influence but merely to give them an opening so that they may make their own presentation on the merits of the case. If this amendment should be adopted, we could not even do that. All we could do would be to say to our constituents, "We have been so afraid of ourselves, we are under such suspicion, that we cannot even call up and make an appointment for you to go down and talk over an application for a loan."

I am not willing, as I said, to put myself in any such situation or to aid in bringing about any such condition.

Mr. BORAH. Mr. President—

Mr. BARKLEY. I yield to the Senator from Idaho.

Mr. BORAH. I desire to ask a question of the Senator offering the amendment. The amendment provides—

That it shall be unlawful for any Federal, State, county, or municipal official—

To seek to exert any influence in connection with one of these loans. The words "State, county, or municipal official", it seems to me, would prohibit action on the part of those who must necessarily be the connecting link between the parties who are asking for the loan and the agency of the Federal Government.



Mr. BLACK. I shall be very glad to explain, when the Senator from Kentucky concludes, that the amendment does not at all do what he suggests.

Mr. BARKLEY. Not only does the amendment say that but it also says "or any other person." It makes it unlawful for anybody except a duly employed agent of the applicant to go to one of these boards and talk to anybody about loans. Of course I know that the Senator from Alabama does not intend to have this amendment make it necessary for every applicant to employ a lawyer, but that will be the result, because there is not anybody else who could come here and represent a man or a company; and if somebody has to be employed, of course, it will be a lawyer.

I do not see any necessity for this amendment, and I do not know of any reason for it except that we want to find some way by which we can be relieved from aiding our constituents in presenting their claims to the departments at Washington.

Mr. BLACK. Mr. President, in the first place, the amendment does not affect public loans. The amendment does not affect any loan to be made to any public enterprise. It relates wholly and exclusively to the provision which would authorize a private loan to a private industry by the Reconstruction Finance Corporation. It would not prohibit the Senator from Kentucky, or the Governor of Kentucky, or the mayor of Louisville, or any public official anywhere, from seeking to obtain a loan from the P.W.A. It has no reference to that.

Mr. BARKLEY. If the Senator will yield, I realize that, but it might as well have reference to that. If we are going to say that we cannot even communicate with the Reconstruction Finance Corporation with reference to a private loan for which an application has been made by some industry that may not want to pay out money for lawyers' fees, we ought to go all down the line and say that nobody except a hired lawyer shall appear before or present any communication to Mr. Ickes, or to the Public Works Administration, or to Mr. Hopkins, or to anybody else who has anything to do with the distribution of public funds.

Mr. BLACK. I shall be very glad to go into that matter. I desire to say to the Senator from Idaho, who asked me a question—

Mr. BORAH. Since the Senator has made the explanation, I see the effect of his amendment differently.

Mr. BLACK. In other words, the amendment relates wholly and exclusively to this new governmental proposal to lend money to private industry out of the taxpayers' funds. If money is to be loaned by the Reconstruction Finance Corporation to private industry, I take the position that it should occupy exactly the same relationship as does a bank.

Is it necessary for the Senator from Kentucky to appear at the First National Bank of Louisville in order to secure a loan for one of his constituents?

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BLACK. I yield.

Mr. BARKLEY. If I had a constituent who did not know anybody in that bank and wanted me to take him in and introduce him, I do not think I ought to be subject to a penalty for doing so.

Mr. BLACK. The Senator would not be, nor would he be under this amendment.

Mr. BARKLEY. It would be unlawful for me to do it.

Mr. BLACK. It would be unlawful, and would disqualify the man from getting a loan, if he came to the Senator from Kentucky to aid him in getting a loan.

Mr. BARKLEY. In other words, if a constituent came to my office, and I went to Jesse Jones and said, "I would like to have you see Bill Smith, who has an application for a loan; he needs \$100,000", the mere fact that I called on him might be construed into an effort to use political influence, and would prevent the man from getting a loan.

Mr. BLACK. It may be that someone is afraid that a law may be passed which will take Senators and Representatives out of the class of glorified messenger boys because

he wants to get votes back in his home State. I take the position that with reference to any governmental contract, where the Government's money is to be loaned, it is not right, and it not only is not right, but it is improper for such loans to be made upon the basis of political influence.

I have run into this matter in the investigation of ocean- and air-mail contracts. It is not merely a question of a man introducing his constituents to an official of a department. It is the question of continued, repeated, insistent pressure by Senators and Representatives, who do not know the facts, but who have caused this Government to spend millions and hundreds of millions of dollars of the taxpayers' money on contracts brought about by the exercise of political influence which should never have been put into effect.

Mr. GLASS. Mr. President, will the Senator yield to me?

Mr. BLACK. I yield.

Mr. GLASS. I misconstrued the exact meaning of the proposed amendment when the Senator from Alabama presented it to me. It seems to me entirely too broad in its implication.

Mr. President, never in my life have I asked a man to vote for me, and I have never in the 34 years I have been in Congress asked any department of the Government to give anybody or any concern a contract, and I never expect to do so. But if a concern or an individual from Virginia should come here to Washington and ask me to attest its or his character to any department of this Government which had no acquaintance whatsoever with the person or concern, am I to be charged with using political influence if I so attest the character of the concern or the individual, or ask that the concern or individual may have an interview with any department of the Government? It seems to me that under the broad terms of this amendment that might be regarded as exercising political influence.

Mr. BLACK. Mr. President, proceeding further, I will state that, in my judgment, there is no reason in the world why anyone should reach the conclusion that under the provisions of the amendment it would be using political influence to introduce somebody else.

We know what using political influence is. It is the method about which Mr. Howes, the First Assistant Postmaster General, testified when he said, speaking about those with political influence who sought, as soon as he became Second Assistant Postmaster General, to obtain from him contracts that they swarmed in on him just like grasshoppers, and were just as big a pest.

They wanted certain contracts, and were asking for them, not on the basis of merit, but their correspondence has been introduced into the record by reams and reams and reams, in which they called attention to the fact and boasted about the influence of the Representatives and of the Senators and of the national committeemen and of the managers of Senators' campaigns all over the United States.

There is no use being too sensitive about this matter of influence. We know influence is exercised, and it is absolutely useless for any man to claim he is so blind as not to know there have been political influences wielded in connection with contracts of every kind and character, in order to obtain contracts, not through merit, but by reason of the political pressure that was put behind them.

I desire to make a prediction. I may be entirely wrong, but I believe absolutely that under the simple amendment proposed to be made to the Reconstruction Finance Corporation Act, providing for loans to private industry, greater dangers are involved than under any other measure which has as yet been proposed by the administration. There is nothing new in this viewpoint on my part. I had a similar viewpoint when the R.F.C. bill was first passed, and I voted against such a proposal in connection with that bill. I predicted then that the time would come when the pressure would be so great from the business enterprises all over this Nation that we would find Senators and Representatives running all over themselves in order to get loans granted to private industry which the banks would not grant them, and that has come to pass.

It is proposed that we authorize the lending of about \$250,000,000. I received a letter the other day from a chamber of commerce in one little town which said that private industry in that town intended to ask for \$750,000. If the money is asked for at that rate from all over the United States, \$10,000,000,000 worth of applications will be a very small amount to pour in within a few weeks. What will that mean? Decisions will have to be made by the officials of the States, which later will have to be acted upon in Washington. Somebody will get that \$250,000,000, but there will be many others who will be deprived of their part of the loans, even though they are just as worthy.

As one who believe whole-heartedly in this administration and in its desire and its willingness and its intention to bring about great improvement in the business activities of this Nation, I desire now to state that this is the most dangerous proposal that has yet been made, and will work great harm unless some safeguard such as this amendment shall be thrown around it.

Mr. President, the amendment may be too broad; I do not claim that it is perfect. What I am seeking to do is to establish a principle, and that principle is this: If the Government of the United States is to engage in any kind of private business, let it operate under exactly the same rules as those under which private business operates. If the Government is to enter the banking business, in part, why should it be necessary for an applicant for a loan to have the assistance of a Senator or a Representative in order to secure the loan? Does the applicant for a loan now have to go and hire a lawyer in order to get the loan? If it were true that every applicant for a loan from a bank today had to employ a lawyer, then there would be some basis for the argument that if the Senators and Representatives did not secure the loans desired, lawyers would have to be secured. But is that the way private business operates?

Mr. BARKLEY. Mr. President, will the Senator yield to me?

Mr. BLACK. I yield.

Mr. BARKLEY. Does not the Senator recognize any difference between a bank located in any community where it may know the applicants, who are personally acquainted with the officers, and who go in and ask for a loan, and a stranger coming to Washington, who does not know anybody?

Mr. BLACK. I recognize that these applications will be made just as they are today, in the States where the applicants live. They will not be made in Washington.

Mr. BARKLEY. They will be passed on in Washington.

Mr. BLACK. They will first be passed on in the States where the applicants live, and they will be passed on there without any Senator and without any Representative saying anything about them.

Mr. BARKLEY. Mr. President, there has been an agency of the R.F.C. in my State, located in the city of Louisville, ever since the Reconstruction Finance Corporation was organized. I have never requested of that agency, remotely, directly, indirectly, or in any other way, even the consideration of an application for a loan; but under the pending amendment even the mayor of the city of Louisville could not go to the agency in Louisville with a citizen, the president or officer of a corporation, and ask that the agency give consideration to a loan, or even introduce him, without his act being unlawful under the amendment.

Mr. BLACK. I may say that I am not sure that that should not be the law. If that had been the law down in Louisiana, where so much has happened, as we have heard, through local political influence, there would have been an entirely different story with reference to the home-loan bank in the city of New Orleans.

I admit that I think this principle ought to go further. I think it ought to apply to every business enterprise in which the Government is engaged. I do not believe that there should be any political influence exercised or wielded by any man in political life in order to secure contracts from the Government of the United States, either for the loan of money or for the sale of commodities.

Mr. BARKLEY. Under the language of the amendment, a friend or neighbor of an applicant could not go into the agency in any State, or come to Washington, with the applicant, unless he were hired, even though he might come along as a friend, simply as a matter of accommodation. He could not do it unless the applicant hired him to come, because under the terms of the amendment—

it shall be unlawful for any Federal, State, county, or municipal official, any member of any National, State, or county committee of any political party, or any other person except a bona fide and regularly employed officer, agent, or employee of the person or corporation seeking a loan—

And so forth. A man could not bring his friend along and let him pay his own expenses and go before one of these agencies to borrow some money.

Mr. BLACK. Mr. President, I do not think anybody is worried about these "friends." That is not the worry. They are not worried about somebody's not bringing his friends.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. BLACK. I yield.

Mr. BYRNES. With reference to the words indicated by the Senator from Kentucky [Mr. BARKLEY], "or any other person except a bona fide and regularly employed officer, agent, or employee of the person or corporation seeking a loan under the provisions of this section"—does the Senator object to eliminating those words from the amendment?

Mr. BLACK. As I have heretofore said, I have no pride of authorship in this amendment. It could be greatly improved, perhaps, by many minds. What I am after is the principle. But I will state to the Senator why I suggested that language. One of the reasons was to avoid exactly what the Senator from Kentucky said would happen with reference to Washington lawyers. Under this provision those seeking loans would not come here and hire one of the Washington lawyers. It would be impossible for them to do that.

Mr. BARKLEY. They could not even bring a lawyer with them.

Mr. BLACK. Not if he were not a regularly employed lawyer.

Mr. BARKLEY. If he were an attorney employed by the year, they might bring him along; but they could not employ any attorney in Washington in view of the fact that no one here in Washington is allowed to say anything in furtherance of a loan. They could not employ an extra good lawyer to represent them before the Department. They would have to bring someone who was regularly on their pay roll.

Mr. BLACK. In my judgment, that is the way people usually get loans. If a man wants to borrow money from the Louisville National Bank, I do not think he gets a lawyer to represent him in borrowing the money. Such borrowing of money is a usual business transaction. He does it as a business man should. When we are proposing to lend the money of the taxpayers, with the theory of getting it back, why should we leave the transaction open to the use of influence by various people in order to get the loan?

Mr. BARKLEY. In that connection anyone who wants to go to a bank to make a loan, of course, goes to a bank which he knows. He goes usually to a bank with whose officers he is acquainted. He goes usually to the bank in his own town. Some people in the country, however, probably have a notion that some of us in Washington are bigger than we are, and they do not even know how to approach Members of Congress, let alone officials of boards, in order to be able to present their matters to them. I do not think such people should be required to bring along a whole coterie of lawyers on yearly pay in order that they may not make a mistake in presenting their matters to the board.

Mr. BLACK. If we do not put in the bill such a provision as the one I have suggested, I am afraid that Washington will be visited by a swarm of lawyers. My own theory is that if they are going to get money from the Reconstruction Finance Corporation, they should go in just as they do their banks and seek their loans. I see no reason why we should



get all worked up and anxious about someone's coming to Washington to get a loan. There is no reason for coming to Washington to get the loan. The place to apply for it is in the home town of the man who makes the application.

There is one other point to which I desire to call attention. It may be altogether improper. It may not fit. I have an idea that the time has almost arrived when Senators and Representatives should engage to some extent in the business to which they are elected, to wit, lawmaking. That is an old-fashioned theory, I admit. There is no question about its being an old-fashioned theory. My own judgment is that one of the purposes for which men are elected to the Senate and the House is to legislate. I am perfectly free to confess that one of the easiest ways to stay in the House or the Senate is for the Senator or Representative to spend all his time in trying to get special favors for his constituents.

I admit that it is old fashioned to have an idea that, perhaps, Senators and Representatives ought to spend at least a reasonable part of their time in connection with the enactment of legislation; but, somehow, I believe that, perhaps, Senators and Representatives might have a little better standing in the country if they spent more of their time at the work of lawmaking rather than spending most of their time, as many have done, by force of circumstances, in trying to do things which it never was contemplated they should do.

The Government is more and more taking part in various business activities. I am familiar with the history of the State bank in my State. I know what happened with reference to the idea of having friends who could induce loans to be made. I know that when that bank finally toppled and fell, it brought on a wave of disgrace all over the State; and I know that the same thing happened in every other State of the Union that had a State bank.

I have not yet forgotten that there was a bank in Philadelphia to which old fighting Andrew Jackson was opposed. I have not yet forgotten the slimy trail of political corruption which was exposed in connection with that bank. Why were there such corrupt conditions connected with the bank? Because of political influence. When, finally, its affairs were exposed to the public, in calling the list of those who owed the bank one could call the roster of the political celebrities wherever that bank had done business and find very few names missing. Then when those who had recommended others for loans were exposed, the same condition was found—political influence. In that case the use of political influence was not because people were called upon to take care of their friends and constituents in a lawful and legitimate enterprise but the money of the taxpayers of the United States in that bank had been turned over to the political favorites and the favorites of the political favorites.

My amendment is based on a very simple principle. If it is wrong, it ought to be defeated. If the principle is right, and the amendment goes too far, or does not go far enough, the amendment should be rewritten and the principle should be carried out.

I will state the principle on which the amendment is based. I have arrived at the conclusion that this principle ought to prevail largely as the result of what I have seen in the past year. I believed before then that so far as possible, political influence should not govern in connection with governmental affairs. All the evidence in connection with the air-mail investigation has not come out—I saw no reason to bring it out—but the people of this country would be absolutely amazed if they knew how many contracts for millions and millions and millions of dollars had been made, not because of the fact that the contract itself justified it, but because of pressure, pressure, pressure.

I desire to have it understood that pressure never has been, and never will be, limited to any one party. If a limited amount of money is available, and 100 people want to borrow that money to every one person who can get it, we know from our knowledge of human nature that the person who will get it will be, in the main, the one who had influence behind him, because that has been true throughout all human history in connection with the lending of money by governments and governmental agencies.

The principle is that if the Government is to engage in any kind of business, either directly or through agencies or bureaus, those agencies and bureaus should act wholly free from any kind of political influence, and solely and exclusively by reason of a paramount sense of public duty, and they should be free from the pressure of political agents; and I include in that the principle that they should be free from the pressure of Senators and Representatives. That may be a wrong principle, but it is one in which I believe.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BLACK. I yield.

Mr. BARKLEY. I recall a little incident in my own experience within the past year. In my home city there is a chamber of commerce, one of whose duties and functions is to bring new factories into the town. It has been the practice there for many years, as it has been in other communities, to induce factories to come there by relieving them from taxation for a period of 5 years.

An opportunity came to the community to bring a factory there which would employ from 1,000 to 1,500 people, which would absorb the entire unemployed list in the city. Under the charter of the city it had a right to buy a building and turn it over to the coming factory for a period of 5 years, and charge rent upon it until the cost of the building had been amortized. The town council passed an ordinance authorizing the city to borrow enough money to buy the building, or to build one and to turn it over to the new factory which was to employ from 1,000 to 1,500 people, which has since been built, and the company is now employing 1,000 people.

The mayor of the city came to Washington. The city attorney came to Washington. I went to the Reconstruction Finance Corporation with them and introduced them. I undertook to tell the members of the board of directors what it would mean to the community in the way of employment of unemployed men and women if the loan were granted and the factory brought there. They were unable to get the loan. They finally got it from private sources, and erected the building, and the factory is in operation, and is now employing 1,000 people.

If the amendment proposed by the Senator from Alabama had been in force, however, I would have been a criminal for going to the Reconstruction Finance Corporation with the mayor of my home city and asking them to give their consideration to an application for a loan of that sort.

Mr. BLACK. Mr. President, in the first place, there is no reason why it should be necessary for a Senator to go to a department and ask that its officials give fair consideration to a proposal which has been submitted.

Mr. BARKLEY. I will say that it may be that it would have been entirely the proper and statesmanlike thing for me to have said to my friends, "I cannot go with you; I am a statesman; I am above the petty things that affect the community in which I live; you must employ a lawyer; bring your lawyer with you." It might have been wise for me to say that; it might have been a statesmanlike thing for me to say it; but I did not say it. I went with them; I am glad I went; I have no apology for going; and I would go again under the same circumstances. I am not ashamed to try to render a little service to the people of my State, and I am not ashamed nor afraid that somebody is going to call me a crook if I do accommodate them now and then by presenting them and their causes to the department in Washington.

Mr. BLACK. I am very glad to know the Senator has no fear that anybody will accuse him of anything wrong. I do not consider, however, that that has very much bearing on the question at issue before us. My idea is that we are talking here about a principle and not any individual's feelings with reference to what he has done or what somebody might or might not think about him. I raise no question about what the Senator has done, but what I am saying is that we are now proposing to let the Government go into the business of lending money—

Mr. GLASS. Now proposing to let

Mr. BLACK. Well, we are going further than we have heretofore gone.

Mr. GLASS. What has the Government been doing for the last 3 or 4 years?

Mr. BLACK. The Government is now proposing to extend loans to private business. The Senator, as I understand, has an amendment which will extend loans to private industry to the extent of \$250,000,000. My own judgment is that if the Government is going to lend money to private industry, it ought to make the amount sufficient really to fill the bill. If we are going to take the place of banks, I think we ought really to take the place of the banks, and do the work, whether it involves \$250,000,000 or \$10,000,000,000. I believe that when the Government goes into the banking business for private industry, the Government should operate exactly as banks do. Why leave ourselves open to exactly the same situation and a repetition of exactly the same events that have always happened when the Government lends public money? When a Government agency lends money to private individuals, it will be found that the energy of those individuals is spent not to prove that they can pay the money back, not to establish in a legitimate business way that they are entitled to a loan from a business standpoint, but their energy will be expended in having letters and telegrams sent to the Members of Congress urging them to use their influence; and the Members of Congress will not have the ability nor the time to determine whether that loan should or should not be made. I would not say that the Members of Congress would not have the ability, because I think that most of them would have the ability if they had the time to give to the subject and consider it on its merits and the arguments for and against. I am willing to assume that they would then have the ability to pass upon the matter, but I do deny that there is a single Member of this body or a single Member of the other House who, with the various duties he has to perform in connection with the functions of his office, has time to pass upon the merits of the individual applications for loans which will be made.

Mr. ASHURST. Mr. President, does the Senator from Alabama believe if a Senator should examine the request for a loan which is urged and asked in his State and should find that the loan should not be made, that there are more than two Senators here who would say, "We do not want that loan to be made to and in our State"?

Mr. BLACK. Of course, they would not say that they would not want the money loaned. I should like to have the roll called on that question. I am wondering how many there are here who have ever told their constituents that they did not want a loan made in their behalf.

Mr. GLASS. Mr. President, I suggest, then, that the Senate ought to be abolished.

Mr. COUZENS. I second the motion.

Mr. GLASS. If we have not more than two Members of this body who are honest enough to advise against what they know to be bad loans, we are just a disgrace to the Nation; that is all there is about it.

I never have told a department of this Government to let a contract to anybody in my State. What I object to about this amendment is its broad terms. I want to know what may be regarded as "political influence."

Supplementing the incident given by the Senator from Kentucky, there was a concern in my State, in my town, employing 436 people, men and women, which needed a loan. It first went to Richmond and applied to the branch of the R.F.C. in my State and had its application for a loan fully approved. It came here to Washington and asked me to go to the Reconstruction Finance Corporation and request prompt consideration. I did not go, because I rarely ever or never go on missions of that kind, but I unhesitatingly wrote to the Reconstruction Finance Corporation saying that I had no knowledge whatsoever as to the merits of the application, but asking that it be given prompt attention, because the loan, if it were to be made available at all, should be promptly available. Under this amendment I would be a criminal for making that suggestion to the Reconstruction Finance Corporation.

As a matter of fact, the Reconstruction Finance Corporation was so dilatory in the consideration of the application that the concern went to a private financial institution and got there the loan which it desired to get here. But, for one, I do not need to have any statutory limitations put upon my sense of propriety.

Mr. BLACK. Mr. President, I desire to state to the Senator from Virginia that, in my judgment, the amendment would not cover the circumstance which he mentions.

Mr. GLASS. Oh, yes. Who would not regard that as "political influence", attesting the character of men I had known all my life?

Mr. BLACK. I would not.

Mr. GLASS. Perhaps the Senator would not, but perhaps somebody else would. I agree with the Senator that the Government ought to be conducted on business principles, but, of all the departments that ought to be conducted on business principles, the Post Office Department is, perhaps, first.

I assume, of course, the Senator from Alabama has never recommended the appointment of a postmaster in Alabama; or if he has ever recommended the appointment of a postmaster, I assume, of course, he has not taken the pains to find out whether the appointee was a Democrat or whether he was a Republican. [Laughter.] If we are going to enter upon the work of constituting a strictly business institution of every department of the Government, we might apply the principle to the Post Office Department.

Mr. BLACK. I should be very glad to answer two of the statements the Senator has made. In the first place, the Senator says he wants it understood that he has to have no law passed in order to tell him what to do. I admit that. There are many people all over the United States who do not need laws to tell them what to do; but my able friend from Virginia has been here for many years, loyally and zealously serving as a Member of this body, engaged in enacting laws for some who needed laws in connection with their conduct.

Now, with reference to the appointment of postmasters, although, in my judgment, that has nothing to do with this case, I voted for the amendment of the Senator from Nebraska [Mr. NORRIS], and I am perfectly willing to vote for a bill which will give us a real, honest, genuine civil service, taking every postmaster away from the political patronage of Senators and Representatives in Congress. If that does not answer the Senator's suggestion, I have tried to answer it.

Mr. President, there is not any use in trying to evade the issue before us by suggesting that the amendment does not fit it. I assume that probably it will be defeated, just as many other movements in this direction have been defeated, but if a Senator is in favor of the principle of having Government loans made according to business principles, and this amendment does not do it, let him offer an amendment to this amendment, so that we can make it fit the principle of which he is in favor if he wants to let the business of the Government be operated upon business principles.

Mr. President, perhaps I have taken more time than I should have taken. I think an amendment such as this should be attached to every bill that has anything to do with the expenditure of Government money according to contract. I think the time has come when, if we do not let Government contracts be made on business principles, so far has the Government gone into the field of private business today, that we are destined to wake up to find some very sorrowful people. I frankly believe, with reference to these particular loans, that this administration has taken no more dangerous step than will be taken if we provide for loans to private industries, providing only for \$250,000,000, when it is known that there will be more than \$10,000,000,000 of applications, unless we put some kind of safeguard so as to provide that our public servants shall make the loans free from political influence.

This is no new doctrine on my part. I have read in this body in recent months opinions of the Supreme Court of the United States announcing these principles. A contract made between the very lawyer whom my friend from Kentucky mentioned and an applicant for a loan is a case



in point. The principle has been held to be contrary to law and contrary to public policy by the Supreme Court of the United States. The very principle of having Representatives and Senators seek to obtain loans has been held to be contrary to public policy by the highest court of the Nation. That is exactly what the amendment attempts to prevent. If it is too broad it should be modified.

If a Senator is opposed to the principle then the thing to do is to vote against the entire amendment, but if Senators favor the principle of having loans made of the taxpayers' money—and it is the taxpayers' money—according to the standards of merit and justice and fairness rather than because of political influence, then the amendment should be adopted. If the amendment is not correct I hope some Senator may offer a substitute.

Mr. GLASS. Mr. President, I may remark briefly that it is by no means certain that the Reconstruction Finance Corporation under the terms of the bill will ever be called upon to loan a dollar. As a matter of fact, the most important provision of the bill is its liberalization of the eligibility of paper that may be rediscounted at Federal Reserve banks by member banks.

If the Senator from Michigan [Mr. COUZENS] will just listen to me a moment, I shall try to convince him, but he turns away in such disdain as to discourage further remarks on my part. [Laughter.]

The \$280,000,000 fund provided in the bill that may be loaned directly by Federal Reserve banks is not a circumstance to the amount of loans that may be made under the provisions of the bill. The nearly 8,000, if not quite 8,000, members of the Federal Reserve System, both National and State banks, may with confidence make hundreds of millions of loans under the provisions of the bill, because they will realize that they may go to the Federal Reserve banks and have the obligations rediscounted for a period of 5 years, something that has never been permitted under any statute we have ever previously enacted. The dangers of the bill are simply frightfully magnified by the Senator from Alabama [Mr. BLACK].

Moreover, if the Reconstruction Finance Corporation were to loan every dollar that it contingently may loan under the provisions of the bill, it could not loan more than \$250,000,000, and that is all.

Mr. BARKLEY. Mr. President—

The PRESIDING OFFICER (Mr. O'MAHONEY in the chair). Does the Senator from Virginia yield to the Senator from Kentucky?

Mr. GLASS. Certainly.

Mr. BARKLEY. The authority to loan even that much expires next January.

Mr. GLASS. Yes. It prevails for 7 months only. Not only that but the borrowers will not be able to get a dollar of that \$250,000,000 until they first shall have exhausted every possible effort to get credit at the member banks or nonmember banks at the current bank rates and, having failed at their local banks, have failed to get credit at the Federal Reserve banks. So where is this frightful danger that we ought to avoid?

The \$250,000,000 of possible loans of the taxpayers' money is nothing. We have been pouring out money like water running through a sewer, with no prospect of ever getting a dollar of it back. Yet the bill is characterized as a measure of "frightful danger" to the pockets of the taxpayers. There is not one particle of danger in it. I doubt if ever a dollar will have to be loaned by the Reconstruction Finance Corporation under the terms of the bill. But I hope and I confidently expect that hundreds of millions of dollars will be loaned under the terms of the bill by the member banks which are chockful of money and know not what to do with it except to buy United States bonds. I am tired of seeing the Federal Reserve banks and member banks of the Federal Reserve System concentrating their whole activities upon financing the United States Government instead of financing business and giving employment to people who are unemployed.

Mr. NORRIS. Mr. President, I want to commend to the best of my ability the Senator from Alabama [Mr. BLACK]

for proposing his amendment. It has been ridiculed. Fun has been poked at it. It has been said that it will not accomplish any good. Nevertheless the principle involved in the amendment proposed by the Senator from Alabama is a principle which, in my humble judgment, will go a long way, if it is enforced, toward saving the Government from ruin and incidentally toward saving also the Democratic Party which is now in power.

In all probability I have said all that I ought to say on the subject. I have not anything new to say. If there is anything wrong in the principle involved, it seems to me that under the present depression I can see the end. If we are going to take the taxpayers' money by the hundreds of millions and loan it out on political influence, then we ought not to stand as a nation. Naturally, we would go down. Such a proposal is unscientific, unbusinesslike, unfair. I think it is a dishonest use of the taxpayers' money.

That does not mean, if we shall not adopt the amendment, that something dishonest will happen in the loaning of the funds. I do not mean that. The amendment ought to reach every department of the Government. When the Senator from Virginia [Mr. GLASS] made the suggestion about recommending postmasters, that did not bother me at all. The same principle ought to pervade the Post Office Department, from the Postmaster General himself to the janitors who scrub out the post offices in the various cities and towns of the United States.

I have had people poke fun at me for proposing various things. The proposal of this amendment seems to bring out the same line of thought. But the principle here involved is a little more vital. I believe that some day there will go into the White House a man who will say, referring to the Post Office Department, that from top to bottom that Department is going to be operated as a business institution; a man who will say, "We are going to run it as a business proposition. We are trustees of the people's money which we appropriate to run it, and we ought to be more careful about the way those funds are expended than if it were our own money."

We passed a bill the other day to endeavor to reduce gambling. I have no objection to a man gambling if he wants to do it and if he uses his own money. If he gets any enjoyment out of gambling, I have no objection to it. He must handle his own funds, however. I do not want him to gamble with my money, and I do not want him to gamble with the money of anybody for whom I am a trustee here.

I recognize the questions that were asked the Senator from Alabama. Similar questions have been propounded to me for 10 or 15 or 25 or 35 years. I have been laughed at, because it has been said, "Why, this proposal does not apply to me. Why are you seeking to make it apply to me? I have conducted my office above any such happenings as this proposal penalizes."

That may be true. I do not deny it, at least. I am not making an accusation against a Senator or a Member of the House of Representatives; and I am not apologizing either because he says, "This proposal has no application to me. Why should the law cover me?"

Of course we cannot make exceptions to a law. Sometimes a law discommodes somebody who has no intention of doing anything wrong. That is true of every law we pass which we have to make general. Honest citizens have often been discommoded and interfered with in their business because laws are necessary on account of a lot of other men who are not so honest or so scrupulous.

I had a letter less than 10 days ago from a man whom I do not know. I never saw him or heard of him before, and it may be that it will be found on investigation that the story he told me is untrue; but this is what he said:

He is an abstractor in the county seat of a certain county in the United States. It is a town of ten or fifteen thousand people. There are several other abstractors in the town; but he said that in carrying out the new home-loan law passed by Congress, where abstracts are to be had in this county—and it applies to every town in the county—one man makes all the abstracts. It may be—I am not acquainted with the ground—that all the other abstractors are not competent

men. I do not know; but this man said in his letter that an abstract made by any other abstractor is sent to this particular abstractor, and he must certify to it, he must extend the abstract or no loan will be made. It happens that the abstractor who gets all the abstract business in that town is the chairman of the Democratic county committee. I suppose that is just an accident.

When I told that story to some Members of this body in a casual conversation I had a week or so ago, I was laughed at. They said, "That only shows that the Democratic Party are sure that they are doing business right. They are giving it to Democrats." Senators may laugh at that if they wish. They may make fun of it; but I want to warn them that that kind of an arrangement will bring discredit upon the people who put it into operation, and the Democratic Party will be no exception. It would be just the same if the Republican Party were in power and did the same or a similar thing. If a business operation is to be performed, it ought to be performed along business lines.

In my judgment, the organization or the political party which insists on performing a business operation along political lines, and for the benefit of members of a political party, will run on the rocks; and such a course will cause even the man in the White House to suffer, perhaps at a time when suffering will mean much in a political way.

Mr. President, I do not think this amendment prohibits a Member of the Senate from introducing a man whom he knows, or who comes from his State, or from some other State, to an official whom the man does not know; but we have not been able so far to close our eyes to the fact that it is just a little beyond that that the evils of the situation creep in.

What action did the President take a few weeks ago to stop a condition that had become nauseous in the eyes of the American people, where Democratic politicians, chairmen of Democratic State committees, and others under them, were charged—and there seems to have been some ground for it, because the President took action in the matter—with using their political positions to get favors for their clients?

It is not necessary to tell the ordinary official that a man is a Senator or the Vice President or a Member of the House of Representatives. He knows it; and, in addition to that, the men whose time is thus taken up have other duties to perform for which they have been elected. No Member of the House, no Member of the Senate ought to devote all his time to looking after those who want to get office or those who want to get contracts from the Government; and I think such a law as is here proposed would be a relief, rather than an impediment.

I had a conversation with a Senator the other day—in fact, I saw the letter—in a case where an individual had a claim pending against the Government of the United States on appeal from one of the various boards. The letter insisted that the Senator to whom it was addressed should go down before the board in person—that is the way the writer put it, in black and white—and appear for the writer of the letter, a constituent. The Senator declined to do it. He felt that it would be wrong and unethical for him to do so, and he wrote the constituent to that effect; and I saw the reply. His constituent took that letter and sent it to a Government official in Washington—I think it was a Government official—and asked him whether Senators could not appear before the board and argue their constituents' claims; and the answer was that they could and that they did, many of them.

In what position did that leave the Senator who took that attitude, which I think was high and professional and ethical, but whose constituent wrote to him and told him to his face that other Senators were doing this, and asked why he should not do so? Why did the constituent want the Senator to appear in person before the board? Was it because the Senator was John Smith or Jim Jones, or because he knew something about the claim? As a matter of fact, the Senator did not know anything about the claim. The constituent had a representative who did, who was not a

Member of Congress. Why did the constituent want his Senator to go there and appear in person? Because of political influence.

Senators, let us not kid ourselves about this matter. This man did not say, "I want your influence as a Senator"—oh, no. I suppose the Senator could have gone down there and never have used the word "influence"; but would the officials of the board know who he was? Would they wonder why he appeared there to represent this man in a case of which he would disclose his ignorance if he had tried to argue it for a minute?

There was nothing in the world that the constituent wanted except political influence. It seems to me he was not entitled to it. It seems to me there ought to be a law to prohibit it, to protect Senators and Representatives who do not want to be dragged into unprofessional and unethical conduct by some of their constituents.

Mr. ADAMS. Mr. President, I am somewhat new here. I came here with high hopes that I was coming into a body of honest men. So far as my observation goes, I have found that to be true; and I resent the repeated charges under these forms that Members of the United States Senate are not to be trusted, that they are corrupt, that they are using their standing and their position in order to secure things for themselves or their constituents by improper methods.

Perhaps I come from the wrong neighborhood, Mr. President. In my part of the country men are sent to high office because they are trusted, not because they are dishonest. To say that a man whom the people trust, a man whom they permit to appropriate their money and to levy their taxes is not to be trusted with the very business with which the people have trusted him is something that I cannot understand.

No man is so greatly interested in having efficiency in business, in having business honestly conducted as a Senator of the United States; and yet not only today but previously we are in substance told to our faces, "If you, a Senator of the United States, go to any public official and present your views as to what is good for your constituency, either individually or as a group, you are doing an unlawful and a dishonest act."

Mr. President, this particular amendment is not limited—and I call this to the attention of the Senator from Virginia—to political influence. It forbids the exercise of any influence in any way. I, like the Senator from Virginia, happen to be one of those who have declined to go to the departments to secure favors of any kind. I have never recommended loans. I have never recommended the making of a contract. But apparently within the past week I have offended against the underlying principle of this amendment, because I called up the Reconstruction Finance Corporation and said that a friend and a neighbor of mine was coming to see them and that his word was good. I knew that; no other man in Washington knew it as I did, and I took occasion to say to them, "What this man tells you you can rely upon." That would be prohibited by the amendment.

If the board of county commissioners of my county, interested in the establishment of a factory or an industry in my county, should come here and should go to the Reconstruction Finance Corporation to present the views of my community on behalf of a loan to a local industry, they would violate the principles of the amendment in performing their duty to their community. If a man who happens to be a precinct committeeman—and who probably does not know it—should come here in the interest of some enterprise in my community, he would violate the amendment.

Mr. President, I am as much opposed to the use of improper influence as is any man who sits in this body, but I am unwilling to charge that every time a word is spoken in behalf of a loan or an enterprise that is inevitably a corrupt and a corrupting thing. I am among those who still trust the integrity of public officials, and particularly of the Members of the United States Senate.



Mr. BYRNES. Mr. President, I intend to vote for the amendment offered by the Senator from Alabama [Mr. BLACK], and I desire to give my reasons for so doing.

I do not believe that anything contained in the amendment, or anything said by the Senator from Alabama justifies the impression that it is intended to reflect in any way upon the integrity of any Member of the House or of the Senate. As a matter of fact, it would be well to consider just what the amendment provides.

It would not apply to loans sought by public bodies. It would apply only to the acts of the officials of the Reconstruction Finance Corporation in making loans to any industrial or commercial business established prior to January 1, 1935. Therefore it would not apply to county commissioners, or to municipalities, or to States, but would apply only to those who are engaged in business throughout the States of this Union.

We may as well understand exactly what would take place when an application for a loan was filed. When an application for a loan was filed it would be investigated by the officials and employees of the Reconstruction Finance Corporation out in the field. They would look into the character and the reputation of the applicant in the community in which he lived, and they would learn about him. When they passed upon the loan, if they determined that the security offered was not adequate, the application would be rejected.

It is then that the applicant would appeal to the precinct official, to the official of the county committee or the State committee, or to the Senator or the Representative. He would appeal for the purpose of securing a reversal of the decision of the official in the field who had passed upon the adequacy of the security, and who had an opportunity to ascertain the character of the applicant.

When the applicant came to Washington, if he were accompanied by the State chairman, or the national committeeman, no one can have any doubt as to why the State chairman would be requested to come, or why the national committeeman from a State would be requested to come. If he were not accompanied by the State chairman or the national committeeman, but came to a Senator or a Member of the House of Representatives he would not have the Member of Congress accompany him in order to have his cause presented upon its merits by the Senator or Representative. It would be solely because he believed that they would bring to bear political influence, in order to induce someone in Washington to reverse the action of the official in the field who had rejected the application for the loan.

When we reflect that the amendment applies to the representatives of National, State, or county committees, or Federal officials, we must bear in mind that the employees of the Reconstruction Finance Corporation are appointed by the board in charge of that organization, but those of us who have been in public life know that many of the attorneys and employees who pass upon loans are men who have been appointed upon the recommendation and endorsement of members of national committees, of State committees, of Members of the United States Senate and of the House of Representatives; and when a member of the Senate or the House goes to the Reconstruction Finance Corporation to advocate granting a loan, it is possible, and not only possible, but probable, that in some instances he will appear before a man who has been appointed upon his own recommendation. I do not believe it is good for the taxpayers of the United States that the money of the taxpayers should be loaned under such circumstances.

It is said the amendment would affect loans where a municipality or some public organization was interested. There is not so much incentive to use political influence when a municipality is asking for a loan; but in the case of private individuals, with political influence in the States of the Union, when they ask for loans which are denied upon the merits of the cases by the officials of the R.F.C. out in the field, and then come to Washington, there is an incentive to use political influence, and it is an exceedingly difficult thing for a Member of the House or of the Senate to decline

to present to the officials of the Reconstruction Finance Corporation a constituent whose application has been rejected.

Mr. President, I do not think any harm would result from the amendment. There may be some one case where it would work hardship, such as that cited by the Senator from Kentucky, in which he believes justice was done because he was able to introduce some individuals to the officials of the Reconstruction Finance Corporation; but for every case of that kind there will be 10 cases where applicants whose loans have been rejected upon investigation will be coming to Washington to seek political influence in order to secure the loans.

Two hundred million or two hundred and fifty million dollars may be a small sum considering the amounts which have been spent by the Government in recent months, but even if the amount which might be loaned under the amendment were only \$250,000 instead of \$250,000,000, I should be happy to know that it was to be loaned solely upon the adequacy of the security and not upon the political influence of the individuals who present the applicant at the office of the R.F.C. in Washington.

Mr. MCGILL. Mr. President, will the Senator yield to me?

Mr. BYRNES. I yield.

Mr. MCGILL. Assuming that the principles embodied in this amendment are good, does not the Senator think that the penalty, or what might properly be described as the "penalty", is to be assessed against the wrong party? I note that the amendment provides that no member of any National, State, or county committee of any political party, or any other person, unless regularly employed by the concern seeking a loan, shall appear or attempt to exercise any influence, and that if that is done the corporation seeking the loan shall be disqualified.

Suppose a corporation seeking a loan does not ask for the aid or the assistance of any official of any county or State or National committee, or of any other organization, but that influence is attempted to be exerted; it would seem to me that, admitting the correctness of the theory embodied in the amendment, the penalty should be against the one violating the law, and not against the applicant.

Mr. BYRNES. I do not believe there is any practical danger that any National, State, or county committeeman is going to seek to use political influence except at the request of the individual.

Mr. MCGILL. The point I am getting at is this: Assume there is a committeeman who would like to see a corporation denied a loan; he could very easily disqualify the corporation.

Mr. BYRNES. I think the Senator might well offer an amendment to provide that where such unlawful influence is used at the request of the applicant, and so forth. That is what the Senator has in mind. In other words, the applicant would not be disqualified unless he had really requested the influence.

Mr. MCGILL. What I had in mind, if the Senator will pardon me, is that, if anyone should be punished for an act of this kind, it ought to be the party who commits the act, rather than the one seeking the loan.

Mr. BYRNES. I do not care to detain the Senate. I do not believe there would be any serious results from the adoption of the amendment of the Senator from Alabama. It might accomplish what the Senator from Alabama has stated it would accomplish, and that is a factor which must be considered. It might give to Senators and Members of the House more time to attend to the business of their respective bodies. It is a fact that, if all the applicants whose loans are rejected should come to the committeemen and to the Members of the House and Senate to follow through these loans, certainly the Members of the Senate would be unable to attend to their business and would become brokers as well as traveling salesmen and glorified secretaries of chambers of commerce and superintendents of employment agencies. The amendment might limit their activities to a few of those activities and not permit them to be extended to the field of brokerage.

If it be true, as has been said, that the individual citizen does not know that he can approach Government officials today, such legislation would have a wholesome effect. I fear that the average citizen has come to believe that he cannot approach any official of the Government except through a Senator or a Member of the House. If he could be taught that this is his Government, and that he has a right to approach any official of any department without communicating through a Senator or a Member of the House, it would be most wholesome, and be in the interest of good citizenship.

Mr. ADAMS. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. ADAMS. I desire to call the attention of the Senator from South Carolina to the amendment, and point out that under its terms if one hires a national committeeman and pays him to act as his representative it is not contrary to the amendment. If one hires a mayor as his representative, and pays him, it is not contrary to the amendment. If one hires the district committeeman, in the same capacity, and pays him, it is not contrary to the amendment.

Mr. BYRNES. No, Mr. President; I disagree entirely with the Senator from Colorado, because the amendment says "any regularly employed officer or agent." I can see the purpose of the Senator from Alabama. As he said, whenever industries seeking a loan apply to any bank, they apply through the regularly employed officials of the institution. It is only when they get into the field of government that they believe they can no longer rely upon the regularly employed officers, but that they must go to the regularly elected committeemen and Senators and Representatives.

Mr. ASHURST. Mr. President, in Oliver Goldsmith's immortal classic, *The Vicar of Wakefield*, it is said:

That virtue which requires a sentinel is not worth the sentinel's pay.

This amendment is not so much for the protection of Senators and Representatives as for the protection of the general public. Surely there cannot be a Senator here who is oblivious to the fact that now, and for many months, the air of this city is fetid with the breath of place hunters, schemers, grafters, crooks, and that many oleaginous lobbyists are here. Like obscene harpies, lobbyists are hovering not so much over the Senate and the House as they are over every department and every agency of the Government here.

It has been suggested that some Government officials—I do not refer to the Senate or the House—are now likened to hunted animals, pursued by beasts of prey. These officers are not pursued as a rule by men seeking honest things, but by men who are seeking some favor, gift, grant, or bounty from the Federal Treasury.

To adopt this amendment is not a reflection upon the Senate. I think the Senate is honest and capable of transacting public business, and needs no protection against lobbyists, because I know more than 10 Senators who within the last week have told lobbyists where they should go.

I again say that the Capital is infested with lobbyists who clutter the public buildings. These lobbyists are not here to give strength to the Government. They are not here to add permanency and durability to the Government. They are here in large numbers to line their pockets with the avails of contracts which will not stand scrutiny.

Only this morning the Judiciary Committee was required to report a bill adding more severe penalties against those who palm off fictitious bonds on the Government of the United States for the fulfilling of contracts, and who forge the names of notaries public on contracts with respect to bonds offered to the United States for the fulfillment of contracts.

I shall vote for this amendment, not that our virtue needs a sentinel but that the public needs to be assured that we are alive to what has been going on in this Capital and that we intend to protect the Government.

Mr. GLASS. It has been clearly indicated that we do not have any virtues to watch.

Mr. SHIPSTEAD. Mr. President, I am in perfect accord with the aim of the Senator from Alabama. The custom to which he refers is a custom which has grown up in recent years of a Senator or Representative neglecting his legislative duties and spending a large share of his time in going around to the executive departments to see that they operate, or to try to help his constituents get some attention so that their business may be transacted. They are entitled to courteous attention without the aid of a Representative or Senator, and should have it.

The former Senator from Minnesota, Mr. Clapp, quit the Senate in 1916. A few years ago, before he died, I asked him how many letters from his constituents he would average during the last few years he served in the Senate, and he said about half a dozen. I do not know what the experience of other Senators is, but it is a very slow day when we do not have 300 letters, and up as high as 500 or 600 letters, most of them not having to do with legislation, but having to do with the executive branch of the Government.

We have soldiers' claims for compensation. We have established by law an organization to see that that kind of business is transacted. Under the custom which has grown up, Senators and Representatives transact that business for constituents before the Veterans' Bureau and help these men prepare their cases, when under the law we have furnished attorneys for the Veterans' Bureau to help these people prepare their cases. If we go on in this direction, the ultimate result will be that the average citizen must have a Senator or Representative with him when he goes to the post office to buy a postage stamp, because we have drifted into a situation where it is very hard for the average citizen to transact business with the Federal Government without having the aid of a Senator or a Representative.

So far as I am concerned, I am glad to be of any assistance to my constituents that I can. I do not blame any political party for the custom which has grown up here. It has been in existence since long before I came here. It exists under any administration.

As the Senator from Alabama said, we were not elected to run the executive branch of the Government. When a man comes here and takes the oath of office, he swears that he will confine his activities within the sphere allotted to him by the Constitution, the legislative body. Instead of that, we find that a great part of our time is taken up outside that sphere.

I think that anything which can be done to separate the business of the legislative department from that of the executive department ought to be done, and so far as this amendment is concerned I am in hearty sympathy with its aims.

Mr. MCGILL. Mr. President, I move to amend the amendment of the Senator from Alabama [Mr. BLACK] as follows: In line 11, after the word "if", I move to insert "upon the request of the person or corporation seeking a loan", so as to make it read:

And if upon the request of the person or corporation seeking a loan such unlawful influence is used, the person or corporation seeking such loan shall be disqualified.

Mr. BLACK. I have no objection to that amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kansas to the amendment of the Senator from Alabama.

The amendment to the amendment was agreed to.

Mr. FESS. Mr. President, I am in entire sympathy with the suggestion that contracts should not be secured by undue political influence. Every Senator, I am sure, will be glad to be relieved of the necessity of taking up the subject of a contract in person or by correspondence with a department for the person who wants the contract.

On the other hand, I am wondering how far we ought to go with this proposed legislation. I should be somewhat embarrassed if someone from Ohio should say to me that he would like to be recommended or introduced to a department which is about to let a contract and I could not do so. I should feel in honor bound to introduce him.



Does this amendment go to the point where such an action would be a violation of the law? Would it be a violation of the terms of the amendment if a Senator presented someone who wanted a contract to the department letting the contract, and asked that consideration be given him?

Mr. BLACK. Mr. President, as I said a few moments ago, it is my judgment that such an act could not be construed as using influence. I have no doubt that the line can be so clearly drawn that it would be very easily understood, and I do not believe anyone would construe the introduction of a man to an official as using influence.

Mr. FESS. I would say to the Senator from Alabama that to relieve Senators from the onus of having to appear interested in their constituents getting contracts would be a great relief to us all. I agree that we ought not to regard that as being a part of our duty; it is rather something that most of us resent; but at the same time every citizen ought to have the support, it would appear, of his representative to see that he gets an introduction to the official charged with the duty of awarding contracts. I would not hesitate to do that, and it certainly could not be construed as the use of influence on the part of the Senator merely to go that far. However, I am wondering whether that would be a violation of this amendment. If it would be, I should not support it.

Mr. BLACK. I will say to the Senator that I would not so construe it. If the Senator will think of numerous incidents with reference, perhaps, to matters connected with his own State, involving some of its citizens who have lost contracts when they should not have done so, he will understand what is meant by "influence" in the purview of the amendment. I will give the Senator an example. There has been, perhaps, more controversy over the kind of stone that shall be used in Government buildings than over any other one subject during the past few years. It is my judgment that an investigation would disclose that political influence and pressure from day to day and week to week and month to month and year to year has brought about the use of stone from a certain State in this Union to an extent that would not have been possible if natural and legitimate business competition had been allowed to prevail. It is things like that to which I object. It is not fair to the public.

Mr. FESS. I share in the suggestion which the Senator makes.

Mr. BLACK. I do not object at all, I will say to the Senator; I do not think anyone would object to such an act as that to which he refers, and the amendment was never intended to cover a situation such as the Senator from Ohio has mentioned, or as was mentioned by the Senator from Kentucky [Mr. BARKLEY].

Mr. FESS. Let me ask the Senator another question. Suppose that a contract is being let, and after bids are opened there is complaint on the part of a company, we will say, a company from Ohio, to the effect that it has been discriminated against and desires that the bids shall be reopened and that further consideration be given, would the amendment of the Senator from Alabama go to the extent that a Senator would be forbidden to ask the Department to reopen the bids?

Mr. BLACK. I will say that I do not think any influence should be used by a Senator to bring about a reopening of bids. I think if there has been an injustice done, if there has been a law violated, any Senator would have a right to call attention to it at the Department or on the Senate floor, and that he should do so.

Mr. FESS. The Senator will recall that there have been numerous cases where such a charge has been made?

Mr. BLACK. I understand that to be so.

Mr. FESS. The Senator will recall that there are frequently cases where the charge is made that the specifications have been changed so that a particular party in interest was discriminated against?

Mr. BLACK. I will state to the Senator that, so far as this amendment is concerned, it relates to nothing but loans from this fund of \$250,000,000. It does not go to the extent of relating to bids.

Mr. FESS. That answers the question I have in mind.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Alabama [Mr. BLACK].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is before the Senate and is still open to amendment.

Mr. JOHNSON. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll. The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Hebert	Patterson
Ashurst	Costigan	Johnson	Pope
Austin	Couzens	Kean	Robinson, Ark.
Bachman	Davis	Keyes	Robinson, Ind.
Bailey	Dickinson	King	Schall
Bankhead	Dill	La Follette	Shipstead
Barbour	Duffy	Lewis	Steiwer
Barkley	Erickson	Logan	Stephens
Black	Fess	Loneragan	Thomas, Okla.
Bone	Fletcher	McCarran	Thomas, Utah
Borah	Frazier	McGill	Thompson
Bulkley	George	McKellar	Townsend
Bulow	Gibson	McNary	Tydings
Byrd	Glass	Metcalf	Vandenberg
Byrnes	Goldsborough	Murphy	Van Nuys
Capper	Hale	Norbeck	Walsh
Carey	Harrison	Norris	Wheeler
Clark	Hatch	Nye	
Connally	Hatfield	O'Mahoney	
Coolidge	Hayden	Overton	

The PRESIDING OFFICER. Seventy-seven Senators have answered to their names. A quorum is present.

Mr. ROBINSON of Indiana. Mr. President, I was unavoidably detained from the Senate at the time the vote was taken on the so-called "Johnson amendment." I therefore move to reconsider the vote by which that amendment was rejected.

Mr. JOHNSON. On that I ask for the yeas and nays.

Mr. BARKLEY. I move to lay the motion of the Senator from Indiana on the table.

Mr. LA FOLLETTE and Mr. JOHNSON demanded the yeas and nays.

The yeas and nays were ordered.

Mr. JOHNSON. Mr. President, the question now is, as I understand, upon the motion of the Senator from Kentucky to lay on the table the motion of the Senator from Indiana.

The PRESIDING OFFICER. The question is on the motion of the Senator from Kentucky [Mr. BARKLEY] to lay on the table the motion of the Senator from Indiana [Mr. ROBINSON]. The yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MCGILL (when his name was called). On this question I am paired with the Senator from Maine [Mr. WHITE] who is unavoidably absent. If the Senator from Maine [Mr. WHITE] were present, he would vote "yea." Were I at liberty to vote, I should vote "nay."

Mr. BONE (when Mr. NEELY's name was called). The Senator from West Virginia [Mr. NEELY] is unavoidably absent from the Senate. I am advised that if he were present, he would vote "nay."

Mr. ROBINSON of Arkansas (when his name was called). I transfer my pair with the senior Senator from Pennsylvania [Mr. REED] to the junior Senator from Illinois [Mr. DIETERICH] and will vote. I vote "yea."

Mr. VANDENBERG (when his name was called). On this vote I am paired with the senior Senator from Nevada [Mr. PITTMAN]. Not knowing how he would vote, I withhold my vote. If at liberty to vote, I should vote "nay."

The roll call was concluded.

Mr. LEWIS. I beg to reannounce the absence of the Senators and to restate the reasons heretofore given on the previous roll call, and to announce the absence of my colleague [Mr. DIETERICH]. Being unable to say how my colleague would vote if present, I make no announcement in that regard.

Mr. MCGILL. I have heretofore announced my pair with the Senator from Maine [Mr. WHITE]. I find I can transfer that pair to the Senator from West Virginia [Mr. NEELY], which I do, and vote "nay."

Mr. COSTIGAN. The junior Senator from Arkansas [Mrs. CARAWAY] is unavoidably absent.

Mr. ROBINSON of Indiana (after having voted in the negative). I have been advised that the junior Senator from Mississippi [Mr. STEPHENS], with whom I have a general pair, has not voted.

The VICE PRESIDENT. That Senator has not voted.

Mr. ROBINSON of Indiana. I transfer my pair with that Senator to the senior Senator from South Dakota [Mr. NORBECK], and will allow my vote to stand.

Mr. LEWIS. I desire to announce the following special pairs on this question:

The Senator from Georgia [Mr. RUSSELL] with the Senator from Vermont [Mr. AUSTIN];

The junior Senator from New Hampshire [Mr. BROWN] with the senior Senator from New Hampshire [Mr. KEYES];

The Senator from South Carolina [Mr. SMITH] with the Senator from New Mexico [Mr. CUTTING];

The Senator from Arkansas [Mrs. CARAWAY] with the Senator from Vermont [Mr. GIBSON];

The Senator from Oklahoma [Mr. GORE] with the Senator from North Dakota [Mr. NYE];

The Senator from Texas [Mr. SHEPPARD] with the Senator from Delaware [Mr. HASTINGS];

The Senator from New York [Mr. WAGNER] with the Senator from Missouri [Mr. PATTERSON]; and

The Senator from California [Mr. McADOO] with the Senator from Connecticut [Mr. WALCOTT].

I desire further to announce that the Senator from Montana [Mr. ERICKSON], the Senator from Georgia [Mr. GEORGE], the Senator from Utah [Mr. KING], the Senator from North Carolina [Mr. REYNOLDS], and the Senator from Mississippi [Mr. STEPHENS] are necessarily detained from the Senate on official business.

Mr. HEBERT. I desire to announce that the Senator from Idaho [Mr. BORAH], the Senator from New Hampshire [Mr. KEYES], the Senator from New Mexico [Mr. CUTTING], the Senator from Vermont [Mr. GIBSON], the Senator from North Dakota [Mr. NYE], the Senator from Delaware [Mr. HASTINGS], the Senator from West Virginia [Mr. HATFIELD], the Senator from Missouri [Mr. PATTERSON], the Senator from Pennsylvania [Mr. REED], the Senator from Connecticut [Mr. WALCOTT], the Senator from Maine [Mr. WHITE], the Senator from Vermont [Mr. AUSTIN], and the Senator from South Dakota [Mr. NORBECK] are necessarily detained from the Senate.

The result was announced—yeas 30, nays 34, as follows:

## YEAS—30

Adams	Carey	Goldsbrough	Overton
Bailey	Clark	Hale	Robinson, Ark.
Barbour	Connally	Harrison	Schall
Barkley	Coolidge	Hebert	Townsend
Bulkey	Dickinson	Kean	Tydings
Bulow	Fess	Loneragan	Walsh
Byrd	Fletcher	Metcalf	
Byrnes	Glass	O'Mahoney	

## NAYS—34

Ashurst	Davis	Logan	Shipstead
Bachman	Dill	McCarran	Steiwer
Bankhead	Duffy	McGill	Thomas, Okla.
Black	Frazier	McKellar	Thomas, Utah
Bone	Hatch	McNary	Thompson
Capper	Hayden	Murphy	Van Nuys
Copeland	Johnson	Norris	Wheeler
Costigan	La Follette	Pope	
Couzens	Lewis	Robinson, Ind.	

## NOT VOTING—32

Austin	Gibson	Neely	Sheppard
Borah	Gore	Norbeck	Smith
Brown	Hastings	Nye	Stephens
Caraway	Hatfield	Patterson	Trammell
Cutting	Keyes	Pittman	Vandenberg
Dieterich	King	Reed	Wagner
Erickson	Long	Reynolds	Walcott
George	McAdoo	Russell	White

So the Senate refused to lay on the table the motion of Mr. ROBINSON of Indiana.

The VICE PRESIDENT. The question is on the motion of the Senator from Indiana [Mr. ROBINSON] to reconsider the vote by which the amendment of the Senator from California [Mr. JOHNSON] was rejected.

The motion to reconsider was agreed to.

The VICE PRESIDENT. The question is on the amendment of the Senator from California [Mr. JOHNSON].

Mr. HARRISON. Let us have the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. MCGILL (when his name was called). On this question I am paired with the Senator from Maine [Mr. WHITE]. If he were present, he would vote "nay." I am informed that the junior Senator from West Virginia [Mr. NEELY], if present, would vote as I intend to vote. Therefore I transfer my pair to the junior Senator from West Virginia [Mr. NEELY] and vote "yea."

Mr. BONE (when Mr. NEELY's name was called). I announce the unavoidable absence of the junior Senator from West Virginia [Mr. NEELY], and make the further announcement that were he present he would vote "yea."

Mr. FRAZIER (when Mr. NYE's name was called). My colleague the senior Senator from North Dakota [Mr. NYE] is unavoidably absent. He is paired on this question with the junior Senator from Oklahoma [Mr. GORE]. If the Senator from North Dakota [Mr. NYE] were present, he would vote "yea", and the junior Senator from Oklahoma [Mr. GORE] would vote "nay."

Mr. ROBINSON of Arkansas (when his name was called). Announcing the same pair and transfer as on the last vote, I vote "nay."

Mr. VANDENBERG (when his name was called). Making the same announcement as before, I withhold my vote.

The roll call was concluded.

Mr. ROBINSON of Indiana. Making the same announcement as before, I vote "yea."

Mr. COSTIGAN. I wish to make the same announcement as before respecting the junior Senator from Arkansas [Mrs. CARAWAY], who is unavoidably absent.

Mr. LEWIS. I desire to announce the following special pairs on this question:

The Senator from Georgia [Mr. RUSSELL] with the Senator from Vermont [Mr. AUSTIN];

The junior Senator from New Hampshire [Mr. BROWN] with the senior Senator from New Hampshire [Mr. KEYES];

The Senator from South Carolina [Mr. SMITH] with the Senator from New Mexico [Mr. CUTTING];

The Senator from Arkansas [Mrs. CARAWAY] with the Senator from Vermont [Mr. GIBSON];

The Senator from Texas [Mr. SHEPPARD] with the Senator from Delaware [Mr. HASTINGS];

The Senator from New York [Mr. WAGNER] with the Senator from Missouri [Mr. PATTERSON]; and

The Senator from California [Mr. McADOO] with the Senator from Connecticut [Mr. WALCOTT].

I desire further to announce that the Senator from Montana [Mr. ERICKSON], the Senator from Georgia [Mr. GEORGE], the Senator from Utah [Mr. KING], the Senator from North Carolina [Mr. REYNOLDS], the Senator from Mississippi [Mr. STEPHENS], the Senator from New Mexico [Mr. HATCH], and the Senator from Nebraska [Mr. THOMPSON] are necessarily detained from the Senate on official business.

Mr. HEBERT. I desire to announce that the Senator from Idaho [Mr. BORAH], the Senator from New Hampshire [Mr. KEYES], the Senator from New Mexico [Mr. CUTTING], the Senator from Vermont [Mr. GIBSON], the Senator from North Dakota [Mr. NYE], the Senator from Delaware [Mr. HASTINGS], the Senator from West Virginia [Mr. HATFIELD], the Senator from Missouri [Mr. PATTERSON], the Senator from Pennsylvania [Mr. REED], the Senator from Connecticut [Mr. WALCOTT], the Senator from Maine [Mr. WHITE], the Senator from Vermont [Mr. AUSTIN], and the Senator from South Dakota [Mr. NORBECK] are necessarily detained from the Senate.

The result was announced—yeas 30, nays 32, as follows:

## YEAS—30

Ashurst	Dill	McCarran	Shipstead
Bachman	Duffy	McGill	Steiwer
Bankhead	Frazier	McKellar	Thomas, Okla.
Black	Hayden	McNary	Thomas, Utah
Bone	Johnson	Murphy	Van Nuys
Capper	La Follette	Norris	Wheeler
Copeland	Lewis	Pope	
Costigan	Logan	Robinson, Ind.	



## NAYS—32

Adams	Carey	Fletcher	Metcalf
Bailey	Clark	Glass	O'Mahoney
Barbour	Connally	Goldsborough	Overton
Barkley	Coolidge	Hale	Robinson, Ark.
Bulkeley	Couzens	Harrison	Schall
Bulow	Davis	Hebert	Townsend
Byrd	Dickinson	Kean	Tydings
Byrnes	Fess	Loneragan	Walsh

## NOT VOTING—34

Austin	Gore	Norbeck	Stephens
Borah	Hastings	Nye	Thompson
Brown	Hatch	Patterson	Trammell
Caraway	Hatfield	Pittman	Wagner
Cutting	Keyes	Reed	Walcott
Dieterich	King	Reynolds	White
Erickson	Long	Russell	
George	McAdoo	Sheppard	
Gibson	Neely	Smith	

So Mr. JOHNSON's amendment was rejected.

Mr. CLARK. Mr. President, I move to reconsider the vote by which the so-called "Black amendment" was adopted; and on that I ask for the yeas and nays.

The yeas and nays were ordered.

The VICE PRESIDENT. The question is on the motion to reconsider the so-called "Black amendment." On that question the yeas and nays have been demanded and ordered. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. ROBINSON of Arkansas (when his name was called). I transfer my pair with the Senator from Pennsylvania [Mr. REED] to the Senator from Illinois [Mr. DIETERICH], and will vote. I vote "nay."

Mr. ROBINSON of Indiana (when his name was called). In the absence of the junior Senator from Mississippi [Mr. STEPHENS], with whom I have a general pair, I withhold my vote. If at liberty to vote, I should vote "nay."

The roll call was concluded.

Mr. COSTIGAN. I announce the unavoidable absence of the junior Senator from Arkansas [Mrs. CARAWAY].

Mr. MCGILL. On this question I am paired with the junior Senator from Maine [Mr. WHITE]. Not knowing how he would vote, I withhold my vote.

Mr. LEWIS. I reannounce the absences announced by me on the previous roll call, and at this time announce the absence of my colleague [Mr. DIETERICH]. I do not know how he would vote if present, and therefore make no announcement as to his vote.

Mr. NYE. Upon this question I have a pair with the Senator from Oklahoma [Mr. GORE], and therefore withhold my vote. If at liberty to vote, I should vote "nay"; and if the Senator from Oklahoma were present and voting, he would vote "yea."

Mr. LEWIS. I desire to announce the following special pairs on this question:

The junior Senator from New Hampshire [Mr. BROWN] with the senior Senator from New Hampshire [Mr. KEYES];

The Senator from South Carolina [Mr. SMITH] with the Senator from New Mexico [Mr. CUTTING];

The Senator from Arkansas [Mrs. CARAWAY] with the Senator from Vermont [Mr. GIBSON];

The Senator from Texas [Mr. SHEPPARD] with the Senator from Delaware [Mr. HASTINGS];

The Senator from New York [Mr. WAGNER] with the Senator from Missouri [Mr. PATTERSON]; and

The Senator from California [Mr. McADOO] with the Senator from Connecticut [Mr. WALCOTT].

I desire further to announce that the Senator from Montana [Mr. ERICKSON], the Senator from Georgia [Mr. GEORGE], the Senator from Utah [Mr. KING], the Senator from North Carolina [Mr. REYNOLDS], the Senator from Mississippi [Mr. STEPHENS], the Senator from New Mexico [Mr. HATCH], and the Senator from Nebraska [Mr. THOMPSON] are necessarily detained from the Senate on official business.

Mr. HEBERT. I desire to announce that the Senator from Idaho [Mr. BORAH], the Senator from New Hampshire [Mr. KEYES], the Senator from New Mexico [Mr. CUTTING], the Senator from Vermont [Mr. GIBSON], the Senator from Delaware [Mr. HASTINGS], the Senator from West Virginia

[Mr. HATFIELD], the Senator from Missouri [Mr. PATTERSON], the Senator from Pennsylvania [Mr. REED], the Senator from Connecticut [Mr. WALCOTT], the Senator from Maine [Mr. WHITE], and the Senator from South Dakota [Mr. NORBECK] are necessarily detained from the Senate.

I wish further to announce that if present the Senator from Maine [Mr. WHITE] would vote "nay."

The result was announced—yeas 21, nays 38, as follows:

## YEAS—21

Adams	Carey	Harrison	Townsend
Austin	Clark	Loneragan	Tydings
Barkley	Connally	McKellar	Van Nuys
Bulkeley	Dickinson	O'Mahoney	
Bulow	Glass	Overton	
Byrd	Goldsborough	Thomas, Utah	

## NAYS—38

Bachman	Davis	Kean	Robinson, Ark.
Bankhead	Dill	La Follette	Schall
Barbour	Duffy	Lewis	Shipstead
Black	Fess	Logan	Stelwer
Brynes	Fletcher	McCarran	Thomas, Okla.
Capper	Frazier	McNary	Vandenberg
Coolidge	Hale	Metcalf	Walcott
Copeland	Hayden	Murphy	Wheeler
Costigan	Hebert	Norris	
Couzens	Johnson	Pope	

## NOT VOTING—37

Ashurst	Gibson	Neely	Smith
Bailey	Gore	Norbeck	Stephens
Bone	Hastings	Nye	Thompson
Borah	Hatch	Patterson	Trammell
Brown	Hatfield	Pittman	Wagner
Caraway	Keyes	Reed	Walcott
Cutting	King	Reynolds	White
Dieterich	Long	Robinson, Ind.	
Erickson	McAdoo	Russell	
George	McGill	Sheppard	

So the motion to reconsider was rejected.

## MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hattigan, one of its clerks, announced that the House had disagreed to the amendment of the Senate to the bill (H.R. 9323) to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. RAYBURN, Mr. HUDDLESTON, Mr. LEA of California, Mr. COOPER of Ohio, and Mr. MAPES were appointed managers on the part of the House at the conference.

The message also announced that the House had passed without amendment the following bills of the Senate:

S. 8. An act to add certain lands to the Boise National Forest;

S. 1541. An act for the relief of Mucia Alger;

S. 1807. An act to provide for the exchange of Indian and privately owned lands, Fort Mojave Indian Reservation, Ariz.;

S. 1982. An act to add certain lands to the Mount Hood National Forest in the State of Oregon;

S. 1997. An act to compensate Harriet C. Holaday;

S. 2379. An act to provide for the selection of certain lands in the State of Arizona for the use of the University of Arizona;

S. 2568. An act granting a leave of absence to settlers of homestead lands during the years 1932, 1933, and 1934; and

S. 3144. An act to legalize a bridge across the St. Louis River at or near Cloquet, Minn.

## LOANS BY FEDERAL RESERVE BANKS TO INDUSTRIES

The Senate resumed the consideration of the bill (S. 3487) relating to direct loans for industrial purposes by Federal Reserve banks, and for other purposes.

Mr. WALSH. Mr. President, I send an amendment to the desk and ask for action on it.

The PRESIDING OFFICER (Mr. CLARK in the chair). The clerk will state the amendment.

The LEGISLATIVE CLERK. At the proper place in the bill it is proposed to insert the following:

That the Reconstruction Finance Corporation is authorized and empowered to make loans direct to municipalities and other governmental subdivisions organized pursuant to State law, said loans

to be made upon such security, in the form of tax-anticipation warrants, short-term notes, delinquent-tax certificates or other collateral as the Board may deem adequate to secure such loans; and the Reconstruction Finance Corporation is further authorized and empowered to purchase the tax-anticipation warrants, short-term notes, delinquent-tax certificates or other collateral of municipalities and governmental subdivisions organized pursuant to State law, for the purpose of aiding such municipalities and governmental subdivisions in maintaining the necessary and essential governmental expenditures and services.

Mr. WALSH. Mr. President, this amendment will put a test before the Senate as to whether or not it is in favor of discriminating against municipalities in favor of private enterprise.

We have adopted amendments to the bill extending loans to home owners, to farm owners, to railroads, to banks, to private enterprises of all kinds and descriptions, and there is not a word in the bill which would take care of distressed municipalities which are obliged to close their schools and hospitals because they cannot borrow the funds from private banks with which to carry on.

Mr. BARKLEY. Mr. President, will the Senator yield to me?

Mr. WALSH. In just a moment. This amendment is not offered by me as a personal matter, but on the petition of the mayors representing 110 cities of over 50,000 population. I will read the resolution passed by the mayors at a meeting held in Chicago in September 1933. It is as follows:

*Be it resolved*, That the United States Conference of Mayors petition the President and the Congress of the United States for the enactment of legislation authorizing properly safeguarded loans to cities on tax-anticipations warrants, delinquent-tax certificates, or other short-term collateral in order that the essential revenues of government may be maintained.

*And be it further resolved*, That, due to the break-down of the usual channels and facilities for extending legitimate credit to public bodies, it is urged that immediate consideration of this problem be given by the Federal Government.

I now yield to the Senator from Kentucky.

Mr. BARKLEY. Mr. President, I desired to inquire whether the amendment of the Senator would authorize the Reconstruction Finance Corporation, if it saw fit, to make loans to cities for all city governmental purposes, including the payment of the salaries of their officers, including the mayor, police department, fire department, and all of the city administration?

Mr. WALSH. It would not. The amendment provides for loans on short-term municipal securities, that is all.

Mr. BARKLEY. I understand, but the money may have been raised for any municipal purpose. It is not limited to any particular function of the city government?

Mr. WALSH. It is customary for most municipalities, at the beginning of the year, to borrow money in anticipation of the collection of taxes, for the purpose of carrying on the legitimate activities of the city government. The money borrowed can be used without designation just as all other loans of the R.F.C. are not earmarked.

Mr. BARKLEY. So that they would come to the Reconstruction Finance Corporation under the amendment?

Mr. WALSH. They would come there if they are unable to get the money from the banks, just as the banks and private industry goes to the R.F.C. for loans with satisfactory securities.

Mr. BARKLEY. They could deliberately refuse to levy sufficient taxes on the property of the city to meet their expenses, and could come here and borrow the money from the Government.

Mr. WALSH. They certainly could not do any such thing. That is an indictment of local officials that is not justified. They will meet their obligations as fully and honestly as private borrowers.

Mr. BARKLEY. Why not?

Mr. WALSH. They would have to and they would repay the Government when the securities became due. Cities and towns, I assert, are more financially responsible than these distressed private parties to whom we are extending loans.

Mr. BARKLEY. Unless a city took advantage of the municipal bankruptcy law, and went into bankruptcy before the date of maturity.

Mr. GLASS. I was just about to say they would not necessarily have to repay; they could go into bankruptcy, under the bankruptcy law.

Mr. McCARRAN. Mr. President, will the Senator yield to me?

Mr. WALSH. I yield. But let me add first that private industries and banks can and do go into bankruptcy easier and more freely than cities.

Mr. McCARRAN. Does the amendment offered by the Senator from Massachusetts contemplate loans to drainage, irrigation, and reclamation districts, they being taxing districts under the Federal and State authorities? I hope it does, because I should want to include those in it.

Mr. WALSH. It includes all subdivisions of State governments. I do not know that it goes so far as to include the subdivisions the Senator names. The purpose of the amendment is to permit cities, counties, and towns to sell short-term paper to the Reconstruction Finance Corporation. Now, and heretofore, they have had to raise money on them through the banks, and the banks have been unable to lend them during the depression what they need. Every Senator who has been familiar with local governments knows the great trouble they have had in borrowing money on their short-term securities. This would permit local governments to borrow through the Reconstruction Finance Corporation. The loans would be of short duration and not in the class of self-liquidating projects such as drainage canals. All this amendment would do would be to extent credit to municipalities over a short period of time. This is a request that the municipalities in distress be permitted to borrow from the Federal Government on their short-term securities for 6 months or 9 months. Who can refuse to support the

amendment, in view of the fact that we have been voting to permit private enterprises of all types to borrow money?

Mr. BARKLEY. Mr. President, in reply to the Senator from Nevada, I wish to say that the Reconstruction Finance Corporation already has power to make loans to drainage districts, and is already doing so. Recently we made a \$50,000,000 appropriation to enable them to go further in that direction, which makes \$100,000,000 we have made available for that very purpose. They are doing it now, and they are doing it efficiently. They have done a fine piece of work in that connection, and they have gotten more for their money in relieving land under drainage districts from the burdens overhanging it than in almost any other activity of the Reconstruction Finance Corporation.

Mr. McCARRAN. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. McCARRAN. In reply to the suggestion of the learned Senator from Kentucky, while the law might be construed, and may have been construed, as applying to drainage districts, we have found great difficulty in having the authorities apply the same rule to irrigation and reclamation districts. That was the reason why I propounded the question as to whether there was any language in the proposed amendment which would include those districts. If so, I shall be glad to support it.

Mr. WALSH. Mr. President, the amendment does not require the Reconstruction Finance Corporation to make any loan; it authorizes it to do so. It permits it to do so. It does not compel it to make any loan. Are we going to refuse the municipalities of this country which are in distress the privilege which we have extended to private individuals in distress?

I want to read a paragraph from the statement of the mayors, and then I will yield the floor. I read:

We know, from a careful study of the problem, that municipal credit, similar to all other types of credit, has been in a state of collapse for the past year. The market for short-term municipal securities (tax-anticipation notes, warrants, and bonds) continues to be severely limited. The results of this are, of course, reflected not only in curtailed governmental services, such as schools, health and police and fire, reduced pay for most public employees and payless pay days for others, but in the forced use of scrip, and even in defaults. Since municipal government is the foundation stone of democratic government, this condition, too often lightly dismissed, is most serious and is a definite drag upon steps taken by the National Government leading toward economic recovery.



The causes of this are in part due to the inability (and in some cases unwillingness) of the citizen to pay his taxes. Banking institutions also offer as an excuse the existing uncertainty of the monetary and currency situation. Without appraising these elements, the fact remains public bodies today are face to face with the inability to finance the operation of essential governmental services. To bolster banks, railroads, building-and-loan associations, farm owners, home owners, and many other institutions and groups the Government has found it possible to extend credit of a legitimate character without impairment to the financial structure of the National Government. It would seem that city government itself, in times of stress, should be treated on a parity at least with private enterprises. We therefore urge extending credit to public bodies on sound collateral at reasonable interest rates in order that needed services of government may be maintained.

Mr. LEWIS. Mr. President, will the Senator yield to me?

Mr. WALSH. I yield.

Mr. LEWIS. It is not pleasant for me to oppose such a measure as is presented by the able Senator from Massachusetts, but I presented a plea on behalf of the school teachers of the city of Chicago who have met with such a sad fate in having their salaries withheld month after month, but my proposal was voted down, on the theory that the warrants of the city of Chicago and the tax certificates were not themselves legal securities. I ask the Senator whether this amendment of his would comprehend lending money to the teachers, based upon the tax-anticipation warrants of the schools?

Mr. WALSH. It would permit the officials of the city of Chicago to sell, if the Reconstruction Finance Corporation is willing to buy them, their short-term tax-exempt securities, and they could spend the money as they saw fit, for school purposes, for hospitals, or for any other activity. The amendment simply provides for what has been extended to private industries, providing a method for cities to raise money to carry on their legitimate activities.

Mr. COUZENS. Mr. President, I want to say, in connection with the proposed amendment, that it is much more dangerous, so far as the welfare of the Treasury is concerned, than any amendment we have refused to accept today. In other words, the communities this amendment is aimed to relieve already have adequate taxing power. The trouble is that some of the city administrators do not collect the taxes due, and so long as the Federal Government will relieve the city officials everywhere from going out and collecting taxes they will not put forth the effort to make the collections.

Mr. President, the fourth largest city in the United States has been required to take care of its own needs, its own tax delinquencies, and its own tax-anticipation certificates by the issuance of scrip, which they have paid off when that scrip has become due. That is local self-government, which ought to be insisted upon and maintained.

I dislike to disagree with the Senator from Massachusetts, but we will never educate communities or make them rely upon themselves so long as the Government unnecessarily comes to their support.

Mr. WALSH. Mr. President, will the Senator yield to me?

Mr. COUZENS. I yield.

Mr. WALSH. What about educating the banks, railroads, and private industries, and the private activities to which we are lending money to rely upon themselves? Why should they not also anticipate depressions and not be caught, as they are, in such financial distress as the present?

Mr. COUZENS. They have no taxing power.

Mr. GLASS. On that point there is not a particle of discrimination in this bill against any community or the private citizens of any community desirous of starting enterprises. The communities of Massachusetts can borrow money under this bill if they want to inaugurate private enterprises or extend private enterprises just as much as communities in Virginia.

Moreover, I do not attach a particle of importance to the suggestion of the mayors. The mayor of the principal city in my State signed that abominable paper, and he knows perfectly well that the credit of his city stands almost as high as that of any city in the United States; yet he signed a document such as that.

Mr. ROBINSON of Arkansas. Mr. President, it seems to me that this amendment would impose an appalling and impossible obligation on the Federal Government. There is no limit proposed except the necessities or demands of the municipalities and other subdivisions organized pursuant to State law.

We had just as well understand now that the Federal Government cannot finance everything and everybody. It cannot finance the State governments, the municipalities, the county governments, and the districts. We have already provided loans in large amounts to municipalities and other political subdivisions for the purpose of constructing public works. We have appropriated hundreds of millions of dollars for indigent relief. We may find it necessary to appropriate additional funds.

This amendment authorizes—

Loans direct to municipalities and other governmental subdivisions organized pursuant to State law, \* \* \* for the purpose of aiding such municipalities and governmental subdivisions in maintaining the necessary and essential governmental expenditures and services.

In other words, it calls upon the Federal Government to finance the governments of the cities and the political subdivisions of all the States, and I say it cannot safely do that. It would result in disaster.

Mr. WALSH. Mr. President, I desire to read the amendment again, to indicate that it is permissive, and to indicate that the Reconstruction Finance Corporation cannot make loans unless they are satisfied with the security.

That the Reconstruction Finance Corporation is authorized and empowered to make loans direct to municipalities and other governmental subdivisions organized pursuant to State law—

That means counties and school districts, and so forth—

said loans to be made upon such security, in the form of tax-anticipation warrants, short-term notes, delinquent tax certificates, or other collateral, as the board may deem adequate to secure such loans.

Is any stronger protective language used in any amendments which have been adopted to any provisions of this bill?

Mr. ROBINSON of Arkansas. May I ask the Senator what amount would be required to finance the operations under the amendment?

Mr. WALSH. I assume that no city which could obtain money in any bank of the country would come before the Reconstruction Finance Corporation to get a loan. I assume that the R.F.C. would say what it says now to private industry: "Go back and get a loan from your bank. If you cannot, or if they have no money to loan, we will try to help you." I assume that the R.F.C. would treat municipalities the same as private enterprises are treated and not differently.

Permit me to say that I am not asking this for the cities of my State. We have met this problem, and it has been solved in nearly all cases of municipal distress. It is desired, however, for many cities and towns throughout the country. I am presenting it for the mayors of the country.

All I want is a record vote. The mayors have a bill pending in the House and they have a bill pending in the Senate. No action has been taken upon those bills. This is their opportunity. I ask for a record vote.

The PRESIDING OFFICER (Mr. CLARK in the chair). The question is on the amendment offered by the Senator from Massachusetts [Mr. WALSH].

Mr. WALSH. I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. MCGILL (when his name was called). On this question I am paired with the junior Senator from Maine [Mr. WHITE]. He is unavoidably absent. Not knowing how he would vote, I withhold my vote.

Mr. BONE (when Mr. NEELEY's name was called). I desire to announce the unavoidable absence of the Senator from West Virginia [Mr. NEELEY]. I am not advised as to how he would vote on this particular amendment.

Mr. NYE (when his name was called). I am paired with the junior Senator from Oklahoma [Mr. GORE] and with-

hold my vote. If I were at liberty to vote, I should vote "yea." If the Senator from Oklahoma were present and at liberty to vote, he would vote "nay."

Mr. ROBINSON of Arkansas (when his name was called). Announcing the same pair and transfer as on the last roll call, I vote "nay."

Mr. ROBINSON of Indiana (when his name was called). I again announce my general pair with the junior Senator from Mississippi [Mr. STEPHENS]. In his absence I withhold my vote.

The roll call was concluded.

Mr. LEWIS. Mr. President, I reannounce the absences previously announced by me. I reannounce the reasons given. I now announce the absence of my colleague [Mr. DIETERICH]. Were he present and voting, he would vote "yea."

Mr. COSTIGAN. The junior Senator from Arkansas [Mrs. CARAWAY] is unavoidably absent. If present, she would vote "yea."

Mr. McNARY (after having voted in the negative). Has the senior Senator from Mississippi [Mr. HARRISON] voted?

The PRESIDING OFFICER. He has not.

Mr. McNARY. Then I withdraw my vote. If at liberty to vote, I should vote "nay."

Mr. LEWIS. I desire to announce the following special pairs on this question:

The Senator from Georgia [Mr. RUSSELL] with the Senator from Maryland [Mr. GOLDSBOROUGH];

The junior Senator from New Hampshire [Mr. BROWN] with the senior Senator from New Hampshire [Mr. KEYES];

The Senator from South Carolina [Mr. SMITH] with the Senator from New Mexico [Mr. CUTTING];

The Senator from Arkansas [Mrs. CARAWAY] with the Senator from Vermont [Mr. GIBSON];

The Senator from Texas [Mr. SHEPPARD] with the Senator from Delaware [Mr. HASTINGS];

The Senator from New York [Mr. WAGNER] with the Senator from Missouri [Mr. PATTERSON];

The Senator from California [Mr. McADOO] with the Senator from Connecticut [Mr. WALCOTT]; and

The Senator from Louisiana [Mr. LONG] with the Senator from New Jersey [Mr. KEAN].

I desire further to announce that the Senator from Montana [Mr. ERICKSON], the Senator from Georgia [Mr. GEORGE], the Senator from North Carolina [Mr. REYNOLDS], the Senator from Mississippi [Mr. HARRISON], the Senator from Idaho [Mr. POPE], and the junior Senator from Mississippi [Mr. STEPHENS] are necessarily detained from the Senate on official business.

Mr. HEBERT. I desire to announce that the Senator from Idaho [Mr. BORAH], the Senator from California [Mr. JOHNSON], the Senator from New Hampshire [Mr. KEYES], the Senator from New Mexico [Mr. CUTTING], the Senator from Vermont [Mr. GIBSON], the Senator from Delaware [Mr. HASTINGS], the Senator from New Jersey [Mr. KEAN], the Senator from West Virginia [Mr. HATFIELD], the Senator from Missouri [Mr. PATTERSON], the Senator from Pennsylvania [Mr. REED], the Senator from Connecticut [Mr. WALCOTT], the Senator from Maine [Mr. WHITE], the Senator from Maryland [Mr. GOLDSBOROUGH], and the Senator from South Dakota [Mr. NORBECK] are necessarily detained from the Senate.

I desire further to announce that if present the Senator from Maine [Mr. WHITE] would vote "nay."

Mr. FLETCHER. I transfer my general pair with the Senator from West Virginia [Mr. HATFIELD] to my colleague [Mr. TRAMMELL] and vote "nay."

The result was announced—yeas 16, nays 42, as follows:

#### YEAS—16

Ashurst	Bone	La Follette	Shipstead
Bachman	Coolidge	Lewis	Thomas, Okla.
Bankhead	Copeland	McCarran	Van Nuys
Black	Frazier	Norris	Walsh

#### NAYS—42

Adams	Barkley	Byrnes	Connally
Austin	Bulkeley	Capper	Costigan
Bailey	Bulow	Carey	Couzens
Barbour	Byrd	Clark	Davis

Dickinson	Hatch	Metcalf	Thomas, Utah
Dill	Hayden	Murphy	Thompson
Duffy	Hebert	O'Mahoney	Townsend
Fess	King	Overton	Tydings
Fletcher	Logan	Robinson, Ark.	Wheeler
Glass	Loneragan	Schall	
Hale	McKellar	Steiwer	

#### NOT VOTING—38

Borah	Harrison	Neely	Sheppard
Brown	Hastings	Norbeck	Smith
Caraway	Hatfield	Nye	Stephens
Cutting	Johnson	Patterson	Trammell
Dieterich	Kean	Pittman	Vandenberg
Erickson	Keyes	Pope	Wagner
George	Long	Reed	Walcott
Gibson	McAdoo	Reynolds	White
Goldsborough	McGill	Robinson, Ind.	
Gore	McNary	Russell	

So Mr. WALSH's amendment was rejected.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

#### RELIEF FOR DEPOSITORS OF CLOSED BANKS

Mr. COPELAND. Mr. President, on Saturday, on behalf of the Senator from Michigan [Mr. VANDENBERG] and myself, I offered an amendment to the bill which has just been passed. Having had a vote on the amendment and having listened to the discussion, it seems to me that it is useless for us to press the proposal further at this time.

Much was said in the debate about the importance of having some consideration of the subject in the Banking and Currency Committee. I assume that that was said in good faith. Therefore, in behalf of the Senator from Michigan and myself, I present the proposal in the form of a bill for reference to the Committee on Banking and Currency. I do so in the hope that it may really be considered by that committee.

The PRESIDING OFFICER. Without objection, the bill will be received and referred as requested.

The bill (S. 3614, introduced by Mr. COPELAND and Mr. VANDENBERG) to amend section 12B of the Federal Reserve Act to provide relief for depositors of closed banks, and for other purposes, was read twice by its title and referred to the Committee on Banking and Currency.

#### REGULATION OF SECURITIES EXCHANGES

The PRESIDING OFFICER (Mr. CLARK in the chair) laid before the Senate the action of the House of Representatives disagreeing to the amendment of the Senate to the bill (H.R. 9323) to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. FLETCHER. I move that the Senate insist on its amendment, agree to the conference requested by the House of Representatives, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. FLETCHER, Mr. BARKLEY, Mr. BYRNES, Mr. GOLDSBOROUGH, and Mr. COUZENS conferees on the part of the Senate.

#### PREVENTION OF CRIME

Mr. ASHURST submitted the following reports:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 2080) to provide punishment for killing or assaulting Federal officers having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House numbered 2, and agree to the same.

Amendment numbered 1: That the Senate recede from its disagreement to the amendment of the House numbered 1, and agree to the same with an amendment as follows: Page 1, line 3, of the Senate bill strike out the words "murder



or otherwise", and in lieu of the matter proposed to be inserted by the House amendment insert the following: "kill, as defined in sections 273 and 274 of the Criminal Code, any United States marshal or deputy United States marshal, special agent of the Division of Investigation of the Department of Justice, post-office inspector, Secret Service operative, any officer or enlisted man of the Coast Guard, any employee of any United States penal or correctional institution, any officer of the customs or of the internal revenue, any immigrant inspector or any immigration patrol inspector, while"; and the House agree to the same.

HENRY F. ASHURST,  
WILLIAM H. KING,  
WM. E. BORAH,

*Managers on the part of the Senate.*

HATTON W. SUMNERS,  
A. J. MONTAGUE,  
TOM D. McKEOWN,  
RANDOLPH PERKINS,

*Managers on the part of the House.*

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 2249) applying the powers of the Federal Government, under the commerce clause of the Constitution, to extortion by means of telephone, telegraph, radio, oral message, or otherwise, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendments of the House numbered 1, 2, 3, and 4, and agree to the same.

HENRY F. ASHURST,  
WILLIAM H. KING,  
WM. E. BORAH,

*Managers on the part of the Senate.*

HATTON W. SUMNERS,  
TOM D. McKEOWN,  
A. J. MONTAGUE,  
RANDOLPH PERKINS,

*Managers on the part of the House.*

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 2252) to amend the act forbidding the transportation of kidnaped persons in interstate commerce having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendments of the House numbered 1, 2, 3, 4, 5, 6, and agree to the same.

HENRY F. ASHURST,  
WILLIAM H. KING,  
WM. E. BORAH,

*Managers on the part of the Senate.*

HATTON W. SUMNERS,  
A. J. MONTAGUE,  
TOM D. McKEOWN,  
RANDOLPH PERKINS,

*Managers on the part of the House.*

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 2253) making it unlawful for any person to flee from one State to another for the purpose of avoiding prosecution in certain cases having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its amendments numbered 2, 4, and amendment to the title.

That the Senate recede from its disagreement to the amendment of the House numbered 3; and agree to the same.

Amendment numbered 1: That the Senate recede from its disagreement to the amendment of the House numbered 1, and agree to the same with an amendment as follows: In

lieu of the matter proposed to be inserted by the House amendment, strike out on page 1, line 3, of the Senate bill the word "flee" and insert in lieu thereof "move or travel in interstate or foreign commerce"; and the House agree to the same.

HENRY F. ASHURST,  
WILLIAM H. KING,  
WM. E. BORAH,

*Managers on the part of the Senate.*

HATTON W. SUMNERS,  
A. J. MONTAGUE,  
TOM D. McKEOWN,  
RANDOLPH PERKINS,

*Managers on the part of the House.*

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 2575) to define certain crimes against the United States in connection with the administration of Federal penal and correctional institutions and to fix the punishment therefor having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendments of the House numbered 1 and 2, and agree to the same.

HENRY F. ASHURST,  
WILLIAM H. KING,  
WM. E. BORAH,

*Managers on the part of the Senate.*

HATTON W. SUMNERS,  
A. J. MONTAGUE,  
TOM D. McKEOWN,  
RANDOLPH PERKINS,

*Managers on the part of the House.*

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 2841) to provide punishment for certain offenses committed against banks organized or operating under laws of the United States or any member of the Federal Reserve System having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendments of the House numbered 1, 2, 3, 4, 5, 6, and 7, and agree to the same.

HENRY F. ASHURST,  
WILLIAM H. KING,  
WM. E. BORAH,

*Managers on the part of the Senate.*

HATTON W. SUMNERS,  
A. J. MONTAGUE,  
TOM D. McKEOWN,  
RANDOLPH PERKINS,

*Managers on the part of the House.*

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 2845) to extend the provisions of the National Motor Vehicle Theft Act to other stolen property having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendments of the House numbered 1, 3, 4, and 5, and agree to the same.

Amendment numbered 2: That the Senate recede from its disagreement to the amendment of the House numbered 2, and agree to the same with an amendment as follows: In the matter proposed to be inserted by the House amendment strike out, beginning in line 13, on page 1, down through line 9, page 2, of the House engrossed amendments and insert in lieu thereof the following:

"SEC. 4. Whoever shall receive, conceal, store, barter, sell, or dispose of any goods, wares, or merchandise, securities, or money, of the value of \$5,000 or more, or whoever shall

pledge or accept as security for a loan any goods, wares, or merchandise, or securities, of the value of \$500 or more which while moving in or constituting a part of interstate or foreign commerce, has been stolen or taken feloniously by fraud or with intent to steal or purloin, knowing the same to have been stolen or taken, shall be punished by a fine of not more than \$10,000 or by imprisonment of not more than 10 years, or both."

And on page 1, line 7, of the House engrossed amendments insert a comma after "money."

And the House agree to the same.

HENRY F. ASHURST,  
WILLIAM H. KING,  
WM. E. BORAH,

*Managers on the part of the Senate.*

HATTON W. SUMNERS,  
A. J. MONTAGUE,  
TOM D. McKEOWN,  
RANDOLPH PERKINS,

*Managers on the part of the House.*

Mr. ASHURST. Mr. President, these are conference reports on the so-called "antigangster bills." The Senate conferees were the Senator from Utah, Mr. KING; the Senator from Idaho, Mr. BORAH; and I. Senators will remember that the Senator from Michigan, Mr. VANDENBERG, and the Senator from New York, Mr. COPELAND, charged the Senate conferees specifically not to recede with reference to the provisions relating to fleeing felons and to fleeing witnesses. I wish to say that the House receded and the Senate provisions in those respects were retained in their original form.

I move the adoption of the conference reports.

Mr. WHEELER. Mr. President, I ask that the Senator allow the conference reports to go over until tomorrow.

Mr. ASHURST. Very well. A full explanation of the reports will be found in the RECORD of May 11, beginning at page 8775.

The PRESIDING OFFICER. Without objection, the conference reports will lie on the table.

#### REGULATION OF COMMUNICATIONS BY WIRE AND RADIO

Mr. DILL. Mr. President, I move that the Senate proceed to the consideration of the bill (S. 3285) to provide for the regulation of interstate and foreign communications by wire or radio, and for other purposes.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 3285) to provide for the regulation of interstate and foreign communications by wire or radio, and for other purposes, which had been reported from the Committee on Interstate Commerce with amendments.

Mr. DILL. Mr. President, I desire to make a statement explanatory of the bill and to answer any questions that may be asked. However, I shall not attempt to take up any amendments at this time.

Mr. McNARY. Mr. President, I understood the Senator to desire to make a formal statement with reference to the bill this evening. I rather thought we were going to recess at this hour. Many Senators have left the Chamber. I am sure they would like to be here to hear the Senator's statement.

Mr. DILL. I am willing to yield to whatever the leaders of the Senate desire.

Mr. ROBINSON of Arkansas. Mr. President, I suggest to the Senator from Oregon that there are more Senators now present than are usually to be found on the floor of the Senate.

Mr. McNARY. That may be true, but we met at 11 o'clock this morning, and it is now after 5 o'clock.

#### RECESS

Mr. ROBINSON of Arkansas. Very well, if the Senator insists. I move that the Senate take a recess until 11 o'clock tomorrow morning.

The motion was agreed to; and (at 5 o'clock and 7 minutes p.m.) the Senate took a recess until tomorrow, Tuesday, May 15, 1934, at 11 o'clock a.m.

## HOUSE OF REPRESENTATIVES

MONDAY, MAY 14, 1934

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Remember, O Lord, Thy tender mercies and Thy loving-kindness, for they have been ever of old. Strong Son of God, immortal love, make us partakers of that strength and tenderness and of that glory which Thou dost have with the Father. May we seek ardently deeper truth, clearer wisdom, and purity of heart, mingled with might and meekness. In the spirit of diligence, honor, and helpfulness, may we fulfill our tasks, securing contentment and welfare for our fellow citizens. We praise Thee that all the paths of the Lord are mercy and truth unto such as keep His covenant and His testimonies. Through Jesus Christ our Lord. Amen.

The Journal of the proceedings of Friday, May 11, 1934, was read and approved.

#### MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Latta, one of his secretaries.

#### MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had passed without amendment a joint resolution of the House of the following title:

H.J.Res. 317. Joint resolution requesting the President of the United States of America to proclaim May 20, 1934, General La Fayette Memorial Day for the observance and commemoration of the one hundredth anniversary of the death of General La Fayette.

The message also announced that the Senate had passed with an amendment, in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 9323. An act to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes.

The message also announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 3443. An act to provide for the creation of the Pioneer National Monument in the State of Kentucky, and for other purposes.

#### CALENDAR WEDNESDAY

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that business in order on Calendar Wednesday of this week be dispensed with.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

#### PRIVILEGES OF THE HOUSE—MOTION TO RECOMMIT

Mr. WARREN. Mr. Speaker, I wish to submit a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. WARREN. Mr. Speaker, the highest privileged motion that is accorded to a minority is a motion to recommit. It is the only way that a minority has of expressing itself. I think that rule should always remain sacred and inviolate in the House.

Mr. BLANTON. Will the gentleman yield?

Mr. WARREN. Certainly.

Mr. BLANTON. That is the one privilege that, under the rules of the House, cannot be taken away even by the Committee on Rules.

Mr. WARREN. Of course, that is correct.

On page 8651 of Friday's RECORD, when the road bill was under consideration—and I may state this is entirely impersonal—the gentleman from Michigan [Mr. Wolcott]